



Tertiary Education Commission
Te Amorangi Mātauranga Matua

Industry Training Organisations Financial Performance Guidelines

August 2014

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1. Purpose

These guidelines provide information about the collection and management of financial and non-financial information relating to Industry Training Organisations (ITOs) by the Tertiary Education Commission (the TEC). They should be read in conjunction with the Financial Performance Template and used to assist ITOs to complete the template.

The method of calculating the Industry Cash Contribution (ICC) is unchanged from 2010.

ITOs are required to submit the completed template to the TEC's Monitoring and Crown Ownership team via the teifm.info@tec.govt.nz email account (copy to Investment Manager) by 29 August 2014. The template asks for audited actual results for 2012 and 2013, budget and reforecast for 2014 and forecast for 2015.

2. Overview

Why is financial information collected?

The TEC has obligations under the Education Act 1989 (section 159YD) to monitor the financial performance of ITOs receiving public funding via the Investment Plan process, to ensure that funding is spent on the purpose for which it was allocated.

Sections 7(a) and 7(b) of the Industry Training and Apprenticeships Act 1992 requires the Minister for Tertiary Education, Skills and Employment to have regard to the extent to which an organisation seeking recognition as an ITO represents, and is funded by, employers of people engaged in the industry for which the organisation wishes to be recognised. This is operationalised via Funding Condition ITF005: TEO to ensure employers of industry trainees make a financial contribution. The TEC monitors this by defining and collecting the amount of Industry Cash Contribution (ICC) received by each ITO. The relative contribution by industry is an important factor in the assessment of applications for recognition.

The historical focus on collecting information to calculate the ICC is being widened to ensure closer alignment with the legislative obligations, and to support the strengthening of the industry training sector by ensuring that ITOs that receive government funding are financially viable and are able to fulfil their role under the Industry Training and Apprenticeships Act 1992.

Why has the TEC changed the way it collects this information?

The TEC is progressively moving to a more systematic and consistent collection and reporting process for ITOs. The information collected in the template will enable the TEC to monitor and assess the financial position, and wider performance, of the ITO over time, and more easily identify and provide support to any ITOs at financial risk. It will also provide a sound basis for fair and consistent funding decisions.

Have any further changes been made to the template since 2013?

Refinements have been made to the template to reflect funding changes from 2014.

What information do ITOs need to supply through the template?

The template collects financial information relating to income, expenditure, cash flows and other balance sheet items. This includes information which is required to calculate the rate of ICC.

The template requires ITOs to report actual financial information for the 2012 and 2013 calendar years, budget and reforecast for 2014 and forecast for 2015.

The information collected will enable assessments to be made of the change in the financial position of ITOs over time.

The template collects a full suite of financial information including:

- Statement of Comprehensive Income;
- Statement of Movements in Equity;
- Statement of Financial Position; and

- Statement of Cash Flows.

The template also collects additional information required to calculate the level of ICC, and non-financial information to assist in the analysis of the financial information.

The template should be completed in its entirety, regardless of financial reporting obligations agreed with ITO auditors; for example, all ITOs must provide a Statement of Cash Flows.¹

How will TEC use the information provided?

The information submitted in the template will be used by the TEC to determine various aspects of the ITO's financial performance. The template includes a number of key ratios which will be considered by the TEC. These ratios can also be used by ITOs to inform decisions and to report to the ITO Board.

Measures that will be considered when examining financial performance are:

- the level of working capital;
- the level of surplus or deficit in the current and prior years;
- Industry Cash Contribution (ICC);
- level of variance between forecast and actual results;
- cash balances; and
- level of funding recovery required in prior year.

When analysing the non-financial data, TEC will consider the following:

- actual delivery against contracted Standard Training Measure (STM) delivery, both prior year and forecast;
- the likelihood of in-year funding being withheld or recovered due to under delivery; and
- the proportion of industry members contributing to the ICC.

Further information about these measures is described in Appendix Two. Definitions of key terms associated with the measures are outlined at Appendix Three.

The TEC will use this analysis to inform recommendations regarding the recognition process, and to assist in determining the scope of any specialised reviews undertaken by the TEC.

All information submitted will be held by the TEC in commercial confidence, and will only be shared to allow TEC and other government agencies to perform statutory functions. For example, where pertinent, we may provide certain information to the

¹ The TEC is entitled to request this information under the Education Act 1989 (section 159YD), irrespective of whether an ITO may qualify for differential reporting, or other exemptions under New Zealand Financial Reporting Standards.

New Zealand Qualifications Authority for the purposes of External Evaluations and Reviews. The TEC will advise ITOs in advance of any information sharing.

How often do ITOs need to report?

2014 templates are due on the following dates:

- **29 August 2014** for 2014 reforecast (based on half year actuals) and 2015 forecast; and
- A submission including indicative 2014 year-end and budget 2015 information will be required in early 2015.

Obtaining year to date and reforecast information during the year allows the TEC to assess the impact of changes on ITO business, and to identify earlier and assist ITOs who may be in financial difficulty, while protecting the Crown's investment. It will also enable more timely funding recoveries.

What is the reporting period?

The template uses the financial year reporting period ending 31 December. Where ITOs choose not to align their financial year with the calendar year, audited management accounts for the calendar year must be provided.

3. Template

The Financial Performance Template consists of five sheets:

- Sign-Off and Process – input sheet;
- Instructions and Definitions;
- Copy – to assist loading historical information;
- Performance Information (financial and non-financial) – input sheet;
- Industry Cash Contribution (ICC) (auto-calculates).

This section contains some general completion instructions (which are also contained in the template), and a description of each sheet.

3.1 General Completion Instructions

How should ITOs take account of GST in the template?

Report figures as GST **exclusive**. Enter the GST receivable from the Inland Revenue Department (IRD) as a current asset, and the GST payable to IRD as a current liability.

What if the ITO has associated companies or subsidiaries?

Where an ITO operates a structure that has associated companies/subsidiaries and/or trusts, the template should include consolidated figures for subsidiaries (i.e. be at the group level). Describe subsidiaries included in the consolidation in the Explanation and Comments box in the Sign-Off and Process sheet.

What if the ITO merged with another ITO during 2013?

If your ITO merged with another ITO during the 2013 calendar year:

- complete a template for the ITO whose books incorporated both ITOs – from the date of merge in 2013 including audited actual for new merged entity, and 2014 budget and reforecast, and 2015 forecast for the merged ITO.

If your ITO merged with another ITO from January 2014 calendar:

- complete a template for the ITO whose books incorporated both ITOs – provide 2012 and 2013 audited actuals for the same ITO, and 2014 budget and reforecast, and 2015 forecast for the merged ITO.

If these instructions conflict with your accounting arrangements, or you require further guidance, please contact your Investment Manager in the first instance.

3.2 Sign-Off and Process sheet

The Sign-Off and Process sheet describes the high level process.

There is a table for Estimated Expenditure by Key Activity, which collects an estimated percentage of total cost by activities for which ITOs are funded. Further details regarding the completion of this section are included below at 4.3.

There is an Explanations and Comments box for collecting variance explanations that relate to more than one line item, details of missing or incomplete information, details of any consolidated entries, and the basis on which Estimated Expenditure by Key Activity is allocated. Any additional information necessary to inform analysis of the template should be attached when it is submitted via email.

The sheet contains a sign-off which functions as the attestation of financial performance. Sign off should be by the person with delegated authority, for example the Chief Executive or Chief Financial Officer. We will accept templates with an electronic signature. If manual signing is required, please scan and email a copy of the signed templates for our records. Unsigned templates will be returned.

3.3 Instructions and Definitions sheet

The Instructions and Definitions sheet includes:

- the Purpose of the template;
- Technical Instructions;
- Definitions.

The definitions are intended to provide guidance as to the correct classification of income and expenditure line items. This will ensure the consistency and comparability of the data collected. They are not designed to replace any internal categorisations an ITO may use. However, an ITO may wish to adopt the categories used in the template for its own accounts.

Hyperlinks to these definitions are included in the Performance Information sheet. They are also included as Appendix One in this document.

3.4 Copy sheet

This sheet has been designed to ease entry of data into the Performance Information sheet where information is in the template format. This should assist in reducing the need to re-key previously submitted data (such as prior year audited results and budgets). The Instructions and Definitions sheet has detailed instructions.

Templates that have either a significant amount incomplete, or where there is no explanation of missing information, are likely to be returned for resubmission.

3.5 Performance Information sheet

The Performance Information sheet is the input sheet for financial and non-financial data. It collects information for prior and current years, and calculates ratios for analytical purposes. Information collected in this sheet is used to calculate the Industry Cash Contribution.

3.6 Industry Cash Contribution (ICC)(auto calculates) sheet

The ICC sheet auto calculates, using information entered into the Performance Information sheet.

The calculation of Industry Cash Contribution is the proportion of ITO income contributed by employers and trainees (industry) for the purpose of achieving credits and national qualifications. The following items are included in the calculation:

1) Government Funding eligible for ICC:

- Industry Training funding (Industry Trainees);
- Embedded Literacy funding (ceased end of 2013);
- Industry Training funding (Apprentices – for 2013 and prior, this is Modern Apprenticeships funding).

2) Income from Employers and Trainees (industry) eligible for ICC, included in ITO books:

- Employer training fees;
- Trainee training fees;
- Industry levies or grants;
- Moderation income;
- Industry sponsorship/donations;
- Other industry related income.

3) Employer/Trainee (industry) expenditure eligible for ICC, not included in ITO Books:

- Fees paid directly to off-job training providers by employers or trainees;
- Other off-job expenditure supported by invoices.

4) Training subsidy/reimbursement paid to employers/trainees by ITOs

Total Industry Contribution is 2) plus 3) minus 4).

Definitions are included in the Instructions and Definitions sheet and in Appendix One.

Can we include 'In kind' contributions?

The industry training system is built on the significant contributions made by industry. These include the use of the capital assets of business as a training environment, and the extent to which experienced staff make themselves available to trainees to support their training.

'In kind' contributions or the provision of resources and benefits provided by the industry that are not related to cash transactions, **are excluded** because the basis for determining their equivalent dollar value is subjective.

ITOs should not, for example, report the costs associated with trainees being away from work when attending off-job training.

In addition, the process of measuring these contributions can be expensive and would not represent a good return on the investment of Government and industry in industry training.

What about reimbursements paid to employers/trainees by ITOs?

If an ITO reimburses industry (i.e. employers or trainees) for expenditure, this amount must be reported as ITO expenditure, and be deducted from any reported ICC. Therefore, this amount is included as an expense item (Training subsidy/reimbursement to employers/trainees) in the Performance Information sheet and populates the auto calculated ICC sheet.

4. Income and Funding Recoveries, Expenditure and Estimated Expenditure by Key Activity

This section contains information additional to the Instructions and Definitions sheet of the template about income, funding recoveries, expenditure and Estimated Expenditure by Key Activity.

4.1 Income and Funding Recoveries

How should STM funding be accounted for in the template?

Only funding received for STMs actually delivered should be treated as income (i.e. the total government funding less any amounts already, or due to be, recovered for under-delivery).

For example, an ITO contracted to deliver 1,000 Industry Training Fund STMs and delivering 900, would have the following calculation of income:

Industry Training Fund Example	
Total STM funding	2,919,000
less funding recovery	291,900
= total Industry Training Fund income	2,627,100

How should provisions for funding recoveries be treated and entered into the template?

Funding due to be recovered, but which has not yet been repaid to the TEC, is a liability for the ITO. Enter the funding recovery amount in the “TEC funding recovery” line in the Statement of Financial Position.

Enter funding received during the year for STMs which have not yet been delivered, but for which funding recovery is not expected in the “TEC funding received in advance” line in the Statement of Financial Position.

How should we account for discrepancies between our Trainee Management System (TMS) and the Industry Training Register (ITR) which affect income calculation?

As independent organisations ITOs should prepare their accounts on the basis of their own records, ensuring that all government funding spent complies with their approved Investment Plan and funding, and associated rules and conditions. Where there are differences that affect funding calculations between the information currently recorded in the ITR, and an ITO’s TMS, we would expect that the ITO is able to demonstrate to its auditors the entitlement to the funding it has calculated.

Where considered appropriate a note to the accounts should be included disclosing the discrepancy as a contingent liability.

How should we show contingent liabilities?

Use the Explanations and Comments box on the Sign-Off and Process sheet to record if a note to the accounts has been included in the financial statements to disclose any discrepancy between the ITO TMS records and the ITR as a contingent liability. Include the amount of the contingent liability disclosed in the financial statements.

How do funding recoveries impact on the calculation of the Industry Cash Contribution (ICC)?

The ICC is based on the percentage industry income represents of total income received. Only TEC funding for STMs actually delivered is treated as income and included in the ICC calculation. Funding due to be recovered is treated as a liability and is excluded from the ICC calculation.

On what basis should income be recognised?

The way in which ITOs recognise income will vary, however, the income recognition must be in line with generally accepted accounting practices (GAAP) and financial reporting standards. Unless advised otherwise in the Performance Information sheet, using the drop-down list, the TEC assumes that income and expenditure are on an accrual basis.

Duplication of funding

ITOs cannot seek or obtain other funds from TEC or any other New Zealand Government source for any purpose for which funding has already been or will be sought or obtained from the TEC. Where ITOs enter contracts with other ITOs to provide services, the ITO supplying the goods/service must net off the income against related costs to show a net cost. This will ensure that the sector costs are reported only once. An example of this type of arrangement is where an ITO offers bureau services or sublease arrangements to another ITO.

4.2 Expenditure

The exclusion of certain expenses is no longer required due to the move in 2011 to determining the level of ICC as a percentage of total income.

The change to collecting full comprehensive financial information means that ITOs must report all income and expenditure.

Transfer to reserves

Record a movement in reserves in the Statement of Movements in Equity where transfers have been made to reserves. Transfers to reserves are not expense items, and are therefore not included in the Statement of Comprehensive Income.

Specific guidance was previously provided in respect to excluding transfers to reserves as these do not constitute a cost of training. While this no longer applies, transfers to reserves are still excluded from expenditure.

What about expenditure relating to learners who are not industry trainees or apprentices?

Record costs relating to trainees that are not eligible to receive funding from the Industry Training Fund as “Other expenditure on credit related, non-TEC funded activity”.

The following funding conditions relate to trainee eligibility:

- ITF006: TEO to ensure that industry trainees meet certain criteria
- ITF007: TEO to ensure New Zealand Apprentices meet certain criteria
- ITO008: TEO to ensure Modern Apprentices meet certain criteria

For the full list of funding requirements and conditions for ITOs please visit:

<http://www.tec.govt.nz/Funding/Fund-finder/Industry-Training-Fund/Legislative-requirements-and-conditions/>

4.3 Estimated Expenditure by Key Activity

What information must we provide regarding the allocation of expenditure?

As part of the process of ensuring increased accountability for Government investment, all tertiary education organisations (TEOs), including ITOs, are required to provide a breakdown of the percentage of total expenditure allocated to each of the key activities for which they are funded.

The key activities ITOs are funded for are:

- Standard setting;
- Arrangement of training.

An additional field is included in the table on the Sign-Off and Process sheet to capture ‘Expenditure in relation to other activities’ i.e. in respect of activities outside those funded by the TEC (and listed above). Definitions are included in Appendix One.

ITOs should choose a basis for allocating costs in line with generally accepted accounting practices (GAAP) and state that basis in the Explanations and Comments box on the Sign-Off and Process sheet (for example, based on FTEs).

On what basis is the TEC collecting this allocation information?

The TEC has an obligation to ensure that government funding is used for the purpose for which it was intended.

The TEC is required to assess the performance of ITOs across all areas for which they are funded, and not just on the volume of training arranged. Expenditure is a useful indicator of the proportion of time and effort being allocated by an ITO to each key activity.

As this is a new requirement, and the allocation methods will differ between ITOs and may be arbitrary, the TEC will use this information as indicative only.

5. Non-Financial Information

Why do we have to provide non-financial information?

The collection of non-financial information allows the TEC to calculate certain financial ratios and provide a more comprehensive picture of an organisation's structure and operations.

What STM information is required?

Enter monthly STM delivery for trainees and apprenticeship. Include a projection of the estimated monthly delivery of STMs for the current and future months. These automatically aggregate in a quarterly delivery table.

Why do I have to provide STM data when this is in the Industry Training Register (ITR)?

The ITR holds data regarding trainees up to that date at which it is entered or updated in the register - there is no forward looking functionality. Therefore, it is necessary to capture projected STM delivery information in another way. This information is used to calculate a number of the ratios included in the template.

What personnel information is required?

Enter both headcount of full and part time staff, and the number of Full Time Equivalents (FTEs). Also enter a breakdown of the number of FTEs into Education and Industry-facing (account managers, training advisors, those involved primarily in the setting of standards, development of training material, assessors and moderators) and support staff (administration, human resources, other back office functions etc).

Providing FTE numbers based on the primary function of staff allows the TEC to gain some insight into the core functionalities of the ITO, which provides a better understanding of the ITO operations.

6. Source Documents for financial year end

Audited financial accounts for the financial year ending 31 December will be used as the primary source of information to support ITO income and expenditure supplied to the TEC along with the Financial Performance Template, in June each year. This simplifies reporting and provides TEC with rigorous, credible and consistent information.

ITO audited accounts need to include notes to the accounts to support all industry expenditure that is reported to TEC.

The standard record-keeping requirement for retaining financial information is seven years. ITOs should ensure that they and third parties meet this requirement.

What evidence should ITOs have of Government income?

Report Government income as funding approved by the TEC against the Investment Plan (or any off-plan funding agreements).

Only funding for actual delivery should be treated as income (i.e. the total government funding contracted less any amounts already, or due to be, recovered for under-delivery).

Make arrangements with auditors to record this income, and any adjustments, as a normal part of financial reporting requirements.

What evidence should ITOs have of income from Employers/Trainees which is included in ITO books?

Income received from employers/trainees must be easily identifiable, specific and its primary purpose must be to achieve credits.

Make arrangements with auditors to record this income as a normal part of financial reporting requirements. Generally, this will satisfy the TEC's requirements to verify the income from employers/trainees (industry).

What evidence should ITOs have of Employer/Trainee expenditure which is not included in ITO books, but which is included in the ICC calculation?

Payments made by employers and trainees (industry) on behalf of the ITO to third parties for goods and/or services must be easily identifiable, specific and its primary purpose must be to achieve credits.

Make arrangements with auditors to enable the "industry cash contribution (not included in ITO books)" to be shown in the audited accounts as a separate note. Generally, this will satisfy TEC's requirements to verify the industry contribution.

Industry contributions can only be included where they can be evidenced by an invoice.

Obtain copies of invoices from third parties or, where acceptable by the ITO's auditor, a letter from the industry party that provides a declaration of costs paid in cases where expenditure has not passed through the ITO's books and has been paid

directly by the industry. In the latter situation, the industry party must retain copies of invoices so that these could be supplied, if requested. The industry party must clearly identify the ITO to which costs apply, and that these costs can only be attributed to one ITO.

The TEC can request the evidence of these contributions, either as part of focused audit activities, or the recognition process under the Industry Training and Apprenticeships Act 1992.

For example, an invoice from an off-job training provider should detail the following:

Provider Invoice EXAMPLE	
Total Course cost	100,000
less industry contribution	25,000
= subtotal (to be paid by ITO)	75,000

Using this example, \$75,000 would be included in the ITO's expenditure and \$25,000 would be included as the industry's contribution.

A flowchart outlining how to record the payments by industry and the ITO is included as Appendix Four.

Appendix One – Template Definitions

Income

Government Funding

Industry Training funding (industry trainee STMs delivered against Plan) – Industry Training Fund STM funding from the TEC in relation to industry trainees. STMs delivered, i.e. total funding allocated per Plan, less any amounts (due to be) recovered for under-delivery.

Embedded Literacy & Numeracy funding (delivered against Plan) – ceased end of 2013.

Industry Training funding (apprentice STMs delivered against Plan) – Industry Training Fund STM funding from the TEC in relation to apprentices. STMs delivered, i.e. total funding allocated per Plan, less any amounts (due to be) recovered for under-delivery. For 2013 and prior this is Modern Apprenticeships funding.

Modern Apprenticeships Brokerage fee (currently off Plan) – ceased end of 2013.

Strategic Leadership funding (delivered against Plan) – Strategic Leadership funding from the TEC. Delivered, i.e. total funding allocated per Plan, less any amounts (due to be) recovered for under-delivery.

Trade Academy funding (currently off Plan) – Trade Academy funding from the TEC. Delivered, i.e. total funding allocated per Funding Agreement, less any amounts (due to be) recovered for under-delivery.

Other TEC funding – Any research grants or other funds received from the TEC not listed above.

Other govt income sources (e.g. DoL, MSD, MoH etc.) – Funding received from government agencies other than the TEC.

Income from Employers/Trainees

Employer training fees – Income from employers for trainee training costs, for trainees and apprentices eligible for Industry Training funding e.g. fees for training agreements or course costs.

Trainee training fees – Income from trainees and apprentices who are eligible for Industry Training funding towards the cost of their training.

Industry levies or grants – Income from employers for industry-wide levies or other compulsory payments to the ITO.

Moderation income – Income from employers or trainees to moderate the achievement of credits as part of industry training.

Industry sponsorship/donations – Income from industry parties without a specific expectation of service performance by the ITO e.g. sponsorship of an event.

Other industry related income – Other income from employers or trainees not included in other categories.

Misc. Income

Interest – Interest from bank or term deposits or other investments.

Other income – All non-Industry Cash Contribution eligible income, except Other credit related income e.g. rental income.

Other credit related income – Income for training that does not qualify for Industry Training Fund subsidy.

Expenditure

Personnel costs – Includes all payments made to personnel, as well as part time and casual staff and indirect personnel costs e.g. superannuation, training, recruitment, ACC, long service leave. Excludes outsourced services unless counted as FTE.

Direct costs (TEC funded activity)

Training Manuals – All costs and materials incurred in developing training manuals - e.g. contractors, photocopying etc.

Moderator/Regional Rep Fee – Costs paid to moderators or regional reps for servicing the industry at request of ITO.

Training providers – Payments to ITPs or PTEs contracted to deliver training.

Training subsidy/reimbursement paid to employers/trainees – Payment or subsidy to employers for joining a training programme or successful trainees - subtracted from Industry Cash Contribution calculation.

Fees paid to NZQA – NZQA hook on fees etc.

Other Training Related Costs – Other costs related to the achievement of credits.

Sub-contracting payments – Payments for sub-contracting functions other than the delivery of training.

Other Operating Costs (excluding Depreciation)

Finance costs – Interest on bank or other borrowings and any finance leases. Includes bank or finance charges from bank.

Property occupancy costs – Includes rent, rates, energy, maintenance and all other property-related costs, including lease payments. Include any property impairment expenses here and note the value in the Explanation column.

Travel and accommodation – All travel and accommodation costs.

Other overhead costs – Other overhead costs not itemised above e.g. Communications costs.

Other expenditure on non credit related – Includes:

- Costs associated with goods and services for materials that are sold for purposes other than industry training (any other commercial activities undertaken by ITOs.)
- Costs incurred for any activity other than credit achievement (any other expenditure by ITOs for any purpose other than industry training).

Other expenditure on credit related – Expenditure for training that does not qualify for Industry Training Fund subsidy:

- School-related costs for assessment and awarding of credits/national certificates (expenditure by ITOs for industry training for school students.)
- Costs relating to trainees who are not eligible for industry training funding (expenditure by ITOs for trainees and apprentices that do not meet the eligibility requirements, including trainees that are not in employment).

Other – Any other expenditure that is not classified above. If it exceeds 5% of total expenditure, please provide a breakdown of the 5 largest items in the Explanation column.

Depreciation & Amortisation – Depreciation on fixed assets (and intangible software asset amortisation). Includes amortisation of capitalised course development costs, but excludes profit or loss on asset disposal. Does not include purchase of assets.

Unusual and Non-recurring items – Includes any material item of an unusual or non-recurring nature which if not listed separately would distort the reported core surplus / deficit e.g. severance, other restructuring costs, and unusual asset write-offs. Describe items in the Explanation column.

Tax – Income tax payable on surplus, at the applicable income tax rate, if ITO is a tax paying entity.

Information to calculate Industry Cash Contribution

Employer/Trainee expenditure (not included in ITO books)

Fees paid directly to off-job training providers by employers or trainees – All fees paid directly to training providers by employers or trainees (industry) for the following: assessor training, moderator training, hook-on fees, credit registration fees, student fees and off-job training course fees.

Other off-book expenditure supported by invoices – All other payments to third party suppliers where it can be shown that the primary purpose is to achieve credits e.g. travel to or from off-job training.

Basis of income recognition

Income from TEC (ICC eligible) / Other government income sources / Income from Employers/Trainees (ICC eligible) – Identifies the basis used to recognise the relevant income for accounting purposes. It is assumed that all income and expenditure is recorded on an accrual basis unless otherwise advised.

Statement in Movements in Equity

Equity Movements

Opening Equity – The previous years' audited accounts closing equity.

Net Surplus / (Deficit) after tax – Auto-calculated.

Movement in Reserves/Provisions – Transfers to reserves, property revaluation reserve movements etc.

Statement of Financial Position

Equity – Current year closing equity.

Current Assets

Cash & Bank Balance – Cash balances the ITO has unrestricted use of. Cash equivalents (e.g. Bank Bills with an original maturity of 90 days or less) are now included in this category.

Short-term Investments & Deposits – Interest bearing cash balances the ITO has unrestricted use of with longer than an original maturity of 90 days.

TEC Funding Due – TEC funding that is yet to be paid for STMs already delivered. Includes funding that may be payable in respect of over delivery.

GST receivable – GST receivable from the Inland Revenue Department.

Prepayments – Prepaid insurance etc.

Other – Any other current assets not identified above including research work in progress and taxation. If they exceed 5% of Current Assets describe them in the Explanation column.

Trust cash, cash equivalents & short term investments – Trusts typically have restrictions on how cash balances can be applied. Even if cash and short term investments controlled by trusts are consolidated, report them separately here (not in Cash and Bank Balance). This distinction allows the TEC to calculate "Liquidity" ratios.

Current Liabilities

Bank Overdraft – If the bank overdraft balance is part of a long term revolving credit facility please note this in the Explanation column.

Accounts Payable (trade & others) – Creditors and accruals including provisions (excluding Employee Entitlements).

Employee Entitlements – Holiday pay, long service leave etc. expected to be paid within the next 12 months.

TEC funding recovery – Provision for TEC funding that may be required to be paid back due to under delivery.

TEC funding Received in Advance – TEC funding received in respect of STMs not yet provided, but for which funding recovery is not expected.

GST payable – GST payable to the Inland Revenue Department.

Other Provisions – E.g. doubtful debts.

Other – Any other current liabilities not identified above. If they exceed 5% of Current Liabilities describe them in the Explanation column.

Trust current liabilities – Used for disclosure of trusts that may include current liabilities.

Non-current assets

Plant and Equipment (including Library and ICT) – Includes Plant & Equipment, Furniture & Fittings, Motor Vehicles and Office Equipment, and Computer Equipment (both finance leases and direct ownership) and Computer Software (even if recorded as an intangible asset in ITO accounts).

Intangible assets – Includes any intangible assets (excluding computer software and course/programme development costs) and Work In Progress (WIP).

Other term investments (more than 12 months) – Investments which would be difficult to sell at short notice either through the size of the holding or the absence of a liquid secondary market for the investment.

Other liquid investments – Liquid Investments the ITO has unrestricted use of. Investments should be classified as liquid if they could be readily converted to cash if required. Investments such as government stock with more than one year to maturity would fall into this category.

Other – Any other non-current assets not identified above. If they exceed 5% of total Non-Current assets describe them in the Explanation column.

Trust assets – Disclose fixed assets that trusts own, such as buildings.

Non-Financial Information

STM data

Contracted - Enter contracted STM numbers as per Funding Approval letter.

STM Delivery - Prior Year - 2012 and 2013 STM delivery by month. Current Year – include the initial Budget delivery in column F.

Personnel

Number of Full Time Staff (head count) – Head count. Exclude casual staff, or note in the Explanation column if included.

Number of Part Time Staff (head count) – Head count. Exclude casual staff, or note in the Explanation column if included.

Education and Industry-facing staff (FTEs) – Includes account managers, training advisors, and staff involved primarily in the setting of standards, development of training material, assessors, and moderators employed by the ITO.

Support staff (FTEs) – Includes staff such as administration and support, human resources, and other back office functions.

Industry Cash Contribution (ICC)

Number of contributing employers – The number of employers who have made the industry cash contributions entered in the template. Includes employers who have employees who have made industry cash contributions, as defined under *Income from Employers/Trainees* and *Employer/Trainee expenditure (not included in ITO books)*. Only include each employer once when determining total number of contributors.

e.g. if the ITO receives contributions, including those that are not in the ITO books, from 25 employers, and trainees employed by 18 other employers please enter 43 as the number of contributing employers.

Estimated % of total industry this represents – An accurate estimate of the contributing employers as a percentage of total employers in the industry/ies for which the ITO has coverage.

e.g. if the industry/ies which the ITO represents includes approximately 200 employers, please enter 21.5% (i.e. 43/200) as the percentage of industry this represents.

Estimated Expenditure by Key Activity

Standard Setting – Expenditure associated with setting the standards (i.e. the specification of skills, and levels of performance in those skills) for the industries for which the ITO has recognised coverage. This includes the development of unit standards, quality assurance and moderation.

Arrangement of Training – Expenditure associated with arranging, monitoring and assessing the training undertaken by trainees. This includes the costs of training material, assessment resources, off-job training providers and assessor costs.

Expenditure in relation to other activities – Expenditure in respect of activities outside those funded by the TEC (and listed above). This may include schools related expenditure, or costs associated with other commercial activities.

Appendix Two – Measures and calculations used for Ratio Analysis

Measures	Calculation
Operating surplus/deficit	Operating surplus/deficit before abnormals to total income.
Core earnings	EBIITDA to total income.
Net cashflow from operations	Cash inflow (receipts) from operations to cash outflow (payments) from operations.
Liquid funds ratio (liquidity)	Liquid resources less short term overdrafts to cash outflow (payments) from operations.
Working capital	Total current assets divided by total current liabilities.
Industry Cash Contribution	Income received from industry as a percentage of total income.
STM delivery (%)	Actual delivered STM funding as a percentage of contracted STM allocation as agreed with TEC at beginning of year.

Appendix Three provides detailed definitions of the terms used above.

Appendix Three – Definitions of measures and calculations used for Ratio Analysis

“Abnormals” means unusual enough to influence the economic decisions using the reported results. Abnormal item adjustments include any unusual and non-recurring gains and/or losses (in each case as reflected in the relevant statement of comprehensive income). An item does not qualify as non-recurring simply because it is unplanned or unexpected. Examples of abnormals include: gains or losses on asset disposals or revaluations; discontinued operations; and major restructuring costs. Reclassification of abnormals may occur if an organisation’s application of abnormal differs materially from the rest of the sector.

“Cash inflow (receipts) from operations” means the amount recorded as cash received from operating activities in the cash flow section of the financial statements of an ITO.

“Cash outflow (payments) from operations” means the amount recorded as cash paid from operating activities in the cash flow section of the financial statements of an ITO.

“Contracted STMs” means the number of Standard Training Measures the ITO is funded for as per its Funding Approval Letter.

“EBITDA” means earnings (operating surplus/deficit) before interest (expense and income), tax, depreciation, amortisation and one-off abnormals within the financial statements of an institution.

“Equity” means the total equity reported in the financial statements of an ITO.

“Financial statements” means the audited annual accounts, budgeted financial statements, reforecast financial statements or projected statement of financial performance (as the case may be) of an ITO. Financial statements cover a period of one calendar year unless stated otherwise.

“Liquid resources” are cash, securities or other investments which can be readily converted into cash. For the avoidance of doubt receivables are not considered a liquid asset and trust cash and short-term investments are not included.

“Operating surplus/deficit before abnormals” is the amount recorded as the net surplus or deficit (as the case may be) in the financial statements of an organisation before one-off or non-recurring abnormal items.

“Working Capital” means the total current assets divided by total current liabilities recorded in the financial statements of an ITO.

Appendix Four – Industry Cash Contribution Flowchart Example

