



Financial performance guidance for industry training organisations

This guidance provides information about the collection and management of financial and non-financial information we collect from you via the industry training organisation (ITO) financial monitoring template (the template).

Collecting financial performance information

ITOs must submit a financial monitoring template to us at least once a year

The template collects:

- › prior year audited financial results
- › the current year ITO Board-approved budget
- › a re-forecast of current year financial results
- › two-year financial forecasts
- › certain non-financial performance information.

We will send the template to you at least four weeks before the submission date.

Financial information is collected for a number of reasons

We have an obligation under the Education Act 1989 to monitor the financial performance of ITOs receiving funding via an Investment Plan. We use the information collected in the template to fulfil this obligation using the ITO [Financial Monitoring Framework](#).

We also have obligations under the Industry Training and Apprenticeships Act 1992 to ensure ITOs are funded by the industries they serve. We use the information collected in the template to calculate the amount of industry cash contribution.

Finally, when recommending an ITO for recognition, we have an obligation under the Industry Training and Apprenticeships Act 1992 to ensure that ITOs have had satisfactory historical performance. This includes financial performance.

Non-financial information is also collected

Collecting non-financial information allows us to calculate certain financial ratios and provide a more comprehensive picture of your organisation's structure and operations. Non-financial information collected includes:

- › actual and forecast standard training measure delivery
- › staff head count and FTE count
- › the number of employers making industry cash contributions.

The industry cash contribution measures the extent to which an ITO is funded by industry

The industry training system is built on the 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. While this contribution is recognised, there is also an expectation that industry will provide financial funding to ITOs.

The industry cash contribution calculation

$$\frac{\text{Amount (\$) of eligible industry cash contribution in year } n}{\text{Total government contribution (\$) + amount (\$) of eligible industry cash contribution in year } n}$$

Eligible industry income is determined by adding income from employers and trainees (both on and off the ITO books) less any training subsidies or reimbursements.

The industry cash contribution is the proportion of ITO income contributed by industry

The industry cash contribution includes income from employers and trainees for the purpose of achieving credits and national qualifications. The following items are included in the calculation:

- › Income from employers and trainees (industry) eligible for industry cash contribution, included in ITO books:
 - employer training fees
 - trainee training fees
 - industry levies or grants
 - moderation income
 - industry sponsorship/donations
 - other industry related income.
- › Employer/trainee (industry) expenditure eligible for industry cash contribution, not included in ITO Books:
 - fees paid directly to off-job training providers by employers or trainees
 - other off-job expenditure supported by invoices.
- › Training subsidy/reimbursement paid to employers/trainees by ITOs.

In-kind contributions cannot be included

'In kind' contributions or the provision of resources and benefits provided by industry that are not related to cash transactions are excluded. This is 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.

The required industry cash contribution is 30% for industry trainees and 20% for apprentices

The level of industry cash contribution for your organisation is automatically calculated in the template. The industry cash contribution rates are:

- › 30% for industry trainees
- › 20% for apprentices.

The template still calculates just one rate; however we will review the result for your organisation against the proportion of industry trainees and apprentices to determine the appropriate level of industry cash contribution.

There should be sufficient evidence available to support the level of industry cash contribution

Evidence of government funding

Government income is the funding approved by the TEC against the Investment Plan (or any off-plan funding agreements) including any funding recoveries or in-year Plan amendments. We will compare amounts included in the template to our funding and recovery information.

Evidence 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 our requirements to verify the income from employers/trainees (industry).

Evidence of employer/trainee expenditure which is not included in ITO books, but is included in the industry cash contribution calculation

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

Make arrangements with auditors to ensure these amounts are shown in the audited accounts as a separate note. Generally, this will satisfy our requirements to verify the industry contribution. However, we 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.



We ensure New Zealand's future success.