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BUDGET 2017-18

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ACT Building and Construction Industry
Training Fund Authority

Statement of Intent

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2017-18

THE ACT BUILDING AND CONSTRUCTION INDUSTRY TRAINING FUND AUTHORITY

The ACT Building and Construction Industry Training Fund Authority (the Authority) is a Territory Authority established under the *Building and Construction Industry Training Levy Act 1999* which came into effect on 21 May 1999.

The attached 2017-18 Statement of Intent has been prepared in accordance with Section 61 of the *Financial Management Act 1996* (the FMA).

The responsible Minister, Ms Meegan Fitzharris MLA, was consulted during the preparation of the Statement of Intent.

The Statement of Intent, which focuses on the 2017-18 Budget year, has been developed in the context of a four year forward planning horizon to be incorporated, as far as practicable, into the Authority's strategic and business planning processes.

The Authority's 2017-18 Statement of Intent has been agreed between:



Mr James Service
Chairman

26 May 2017



Ms Meegan Fitzharris MLA
Minister for Higher Education, Training and Research

29 May 2017



Mr Andrew Barr MLA
Treasurer

30 May 2017

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Purpose

The Authority will provide funding for the training of eligible workers, support the entry of new people into the building and construction industry, and improve the culture and access to training.

The Authority will:

- promote increased productivity, career opportunities, personal satisfaction and a Workplace Health and Safety (WHS) culture within the building and construction industry;
- equitably distribute training funds to employers and employees in the building and construction industry;
- allocate funds against priorities and outcomes for training delivery, not capital or administrative costs; and
- encourage employment and skills development in the building and construction industry.

The Authority has the power to do all things necessary to be done for, or in connection with, the performance of its functions.

The major corporate objectives of the Authority relevant to this Statement of Intent are:

- to operate as a customer service oriented entity along business like lines;
- to use benchmarking to operate at least as efficiently as alternative service providers and to provide quality, value for money services in all aspects of the Authority's operations;
- to use financial practices and maintain accounts and records which satisfy the requirements of the FMA, including the associated ACT Accounting Policy modelled on the requirements of Australian Accounting Standards, and which fairly present the Authority's financial position and operational and cash flow results for planning and reporting purposes;
- to adopt high standard operating practices to safeguard the environment and health and safety of staff; and
- to provide a productive and satisfying working environment for staff, and a commitment to high standards of human resource management based on the principles of equal employment opportunity.

This Statement of Intent reflects the objectives and plans of both the Authority's board and management over the term of the Statement, within the context of past performance and existing Government policy. It does not represent purchase or other funding commitments by the clients of the Authority, including the Government.

The Government's ownership interests in the Authority covered by this Statement relate to:

- efficient and effective management of the Authority's expenses and revenues in order to achieve at least its planned operating result;
- efficient and effective utilisation of assets employed and liabilities managed by the Authority;
- the Government's interests as an employer including staffing profiles, staff turnover and occupational health and safety;
- efficient cash management of the Authority's current position with consequential maximisation of returns on investment;
- the Authority's longer term financial stability and viability together with its continuing capacity to provide services; and
- the optimal level of investment in the Authority.

This Statement of Intent does not exclude, and is in addition to, the continuation of other Government wide policies including customer focus policies (commitment to service) and Government employment policies such as equal employment opportunities.

Nature and scope of activities

The Authority's functions are to:

- administer the Training Fund, the income of which is obtained by a Training Levy of 0.2 per cent on the value of work in respect of which the Training Levy is payable by the Project Owner; and
- make payments, or direct that payments be made, from the Training Fund in accordance with the Training Plan.

The key strategies that the Authority intends to employ in enabling it to achieve its objectives, efficiency measures and manage business and financial risks are to:

- prepare the Authority's annual Training Plan for approval by the Minister;
- undertake extensive consultation with industry stakeholders to determine any additional training priorities required by industry to inform the Training Plan;
- continue working with the ACT Government to support the *Getting Home Safely* report and its recommendations related to training;
- ensure the income of the Training Fund is sufficient to meet the annual Training Plan objectives;
- ensure the funding available is sufficient for the approved training programs; and
- maintain the Authority's profile among its stakeholders.

The management of the Authority's current and future directions is reflected in the following five programs described below:

- Program 1: Entry Level Training - continue to support apprentices and trainees employed in trades and vocations. Continue to promote the building and construction industry as a rewarding career choice.
- Program 2: Existing Worker Training and Professional Development - continue to support and fund existing worker training and professional development for those persons employed within the ACT building and construction industry. Monitor the quality and effectiveness of training programs funded by the Authority.
- Program 3: Promotion and Marketing - continue to review and revise promotional activities to support the Authority's strategies. Implement cost effective promotional activities to encourage an increase in the uptake of training programs. In all promotional activity, emphasise the building and construction industry as a positive, rewarding, meaningful and worthwhile life-long career.
- Program 4: Research and Development - continue to support the development of new training programs and the extension of existing training programs. Continue the involvement of all building and construction industry organisations, stakeholders and individuals.
- Program 5: Access and Equity - ensure that the Authority continues to address and support persons who have special training needs.

Risks

A risk to the Authority's income may arise from any change in market conditions related to the Building and Construction Industry, given the levy is payable on the value of building works approvals.

The scope of activities and how the Authority uses these funds are undertaken in accordance with the Annual Training Plan, including the funding of incentive payments to ACT employers who engage an apprentice in trades identified by ACT industry stakeholders in the development of the annual plan. Stakeholder expectations are for the industry to remain stable at current levels of activity.

The Authority supports eligible industry stakeholders by providing financial incentives and rebates for completed training, to make training more affordable and accessible to those workers undertaking upskilling training. The Authority relies on industry stakeholders to guide the funding direction and needs for training delivered by nationally registered Training organisations. Provision of training funds to employers and employees in the Industry shall continue to be funded in accordance with the Annual Training Plan by the Authority, whilst maintaining a strong liquidity position into the future.

Performance measures and targets

The performance of the Authority can be measured by the indicators below:

2017-18 to 2020-21 Key Performance Indicators (KPIs)

Objectives	Performance Measures	KPI 2017-18	KPI 2018-19	KPI 2019-20	KPI 2020-21
Ensure that the training programs funded by the Authority are conducted in accordance with the functions of the Authority and Authority's funding agreements.	The Authority will conduct audits of Authority funded training programs.	Conduct 25 audits.	Conduct 25 audits.	Conduct 25 audits.	Conduct 25 audits.
Ensure the funding available for its approved training programs is sufficiently budgeted.	The Authority will have the funds available to fund its approved training programs.	The Authority expects to fund \$3.580 million in training program expenses consistent with the approved training program.	The Authority expects to fund \$3.580 million in training program expenses consistent with the approved training program.	The Authority expects to fund \$2.850 million in training program expenses consistent with the approved training program.	The Authority expects to fund \$2.850 million in training program expenses consistent with the approved training program.
Ensure the ongoing funding of entry level apprentices at Group Training Organisations (GTO). ¹	The Authority will continue to fund entry level placements each year at GTOs.	Funding provided for 350 entry level placements at GTOs each year.	Funding provided for 350 entry level placements at GTOs each year.	Funding provided for 325 entry level placements at GTOs each year. ²	Funding provided for 325 entry level placements at GTOs each year. ²
Prepare and submit the Authority's annual Training Plan for approval by the Minister by the legislated date.	Obtain approval of the Training Plan by the Minister by the legislated date.	By 31 October 2017.	By 31 October 2018.	By 31 October 2019.	By 31 October 2020.

2017-18 to 2020-21 KPIs continued

Objectives	Performance Measures	KPI 2017-18	KPI 2018-19	KPI 2019-20	KPI 2020-21
Ensure the Authority provides on the job training incentives to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.	Provide funding to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.	Provide funding of \$0.050 million to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.	Provide funding of \$0.050 million to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.	Provide funding of \$0.050 million to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.	Provide funding of \$0.050 million to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.
Ensure funding of training positions for existing workers in accordance with the approved training.	The allocation of funding is provided in accordance with the approved training program.	Provide funding for 6,000 existing worker positions in accordance with the approved training programs.	Provide funding for 6,000 existing worker positions in accordance with the approved training programs.	Provide funding for 6,500 existing worker positions in accordance with the approved training programs.	Provide funding for 6,500 existing worker positions in accordance with the approved training programs.
Manage the Authority's resources to achieve the budgeted financial result.	Maintain a healthy current ratio over the budget and forward years.	A current ratio of greater than 8.8:1.	A current ratio of greater than 8.1:1.	A current ratio of greater than 8.7:1.	A current ratio of greater than 9.3:1.

Notes

1. To ensure the ongoing viability of GTO's and the ACT building and construction industry, it is essential that the Authority continue the funding of GTO's, as without this funding the GTO's would employ fewer apprentices. This could lead to a reduction in the number of apprentices employed which, could lead to serious skill shortages in the industry in the future.
2. It is anticipated that the building and construction industry will begin slowing down in 2018-19 and 2019-20, consequently, the number of apprentices employed will decrease.

Review of performance against 2016-17 objectives

Objectives	Performance Measures	Planned KPI for 2016-17	Est. Outcome 2016-17	Explanation of Variance
Ensure that the training programs funded by the Authority are conducted in accordance with the Authority's funding agreements.	The Authority will conduct audits of Authority funded training programs.	Conduct 25 audits.	Completed. The Authority expects to conduct 25 audits during 2016-17.	Objective met.
Ensure the funding available for its approved training programs is sufficiently budgeted.	The Authority will have the funds available to fund its approved training programs.	The Authority expects to fund \$2.850 million in training program expenses consistent with the approved training plan.	The Authority expects to fund \$3.580 million in training program expenses.	Objective met.
Ensure the ongoing funding of entry level apprentices at GTOs.	The Authority will continue to fund entry level placements each year at GTO's.	Funding provided for 350 entry level placements at GTO's each year.	The Authority expects to fund 350 entry level positions.	Objective met.
Prepare and submit the Authority's annual Training Plan for approval by the Minister by the legislated date.	Obtain approval of the Training Plan from the Minister by 31 October 2016.	Approval from Minister by 31 October 2016.	Completed. Approval received on 31 August 2016.	Objective met.
Ensure the Authority provides on the job training incentives to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.	Provide funding to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.	Provide funding of \$0.050 million to employers of first year apprentices in trades nominated as skill shortage trades by the Authority.	The Authority expects to provide funding of \$0.050 million in skill shortage trades.	Objective met.
Ensure funding of training positions for existing workers in accordance with the approved training programs.	The allocation of funding is provided in accordance with the approved training program.	Provide funding for 6,000 existing worker positions in accordance with the approved training programs.	The Authority expects to fund 6,000 existing worker positions during 2016-17. ¹	Objective met.
Manage the Authority's resources to achieve the budgeted financial result.	Maintain a healthy current ratio over the budget and forward years.	A current ratio of greater than 44.8:1.	A current ratio of 9.5:1	Objective not met. Due to higher current year end payables (accrued expenses) due to training rebates.

Note:

- The Authority markets and promotes that funding is available for training and consequently over the years the number of organisations and individual construction workers applying to undertake training is increasing. In addition there are new courses being introduced e.g. Asbestos Awareness which is mandatory for all construction workers in the ACT. Training is undertaken within existing levels of funding allocation for training.

Employment profile

The Authority will maintain a steady number of employees during 2017-18.

Projected staff numbers (full time equivalents)

	2015-16 Actual	2016-17 Projected	2017-18 Budget
Classification			
Chief Executive Officer	1	1	1
Compliance Manager	1	1	1
Industry Liaison Officer	1	1	1
Total	3	3	3

Monitoring and reporting

The Authority shall satisfy the requirements of the Chief Minister's Annual Reports Directions. The Authority's Annual Report will, among other things, report against the requirements of the Statement of Intent.

The FMA authorises the Treasurer to obtain financial and other statements from the Authority for a stated period including annual, quarterly and monthly reporting.

Annual Reporting

As part of preparations for end of year reporting, the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) will advise of the dates when the following documents are required at CMTEDD and at the Auditor-General's Office:

- Certified financial statements;
- Management discussion and analysis;
- A full and accurate set of audited financial records for the preceding financial year in the form requested; and
- Consolidation packs relating to the annual financial statements, draft and final.

Financial arrangements

The Authority maintains a strong revenue base that is able to grow subject to the activity in the building and construction industry. The employment structure does not vary from year to year and, as such, cost increases are mainly the result of increased training expenses and expected pay rises. A strong liquidity position is anticipated over the 2017-18 Budget year.

Budgeted Financial Statements

Budgeted financial statements for the 2017-18 Budget year, as well as forward estimates for the three financial years commencing 2018-19, appear below. These general purpose financial statements have been prepared in accordance with the ACT's Model Financial Statements and include:

- a) Operating Statement;
- b) Balance Sheet;
- c) Statement of Changes in Equity;
- d) Cash Flow Statement; and
- e) Notes to the Financial Statements as appropriate.

Financial Statements

ACT Building and Construction Industry Training Fund Authority Operating Statement

2016-17 Budget \$'000		2016-17 Est.Outcome \$'000	2017-18 Budget \$'000	Var %	2018-19 Estimate \$'000	2019-20 Estimate \$'000	2020-21 Estimate \$'000
Income							
Revenue							
3,420	Levy Income	4,700	3,800	-19	3,800	3,800	3,800
91	Interest	107	114	7	105	104	112
3,511	Total Revenue	4,807	3,914	-19	3,905	3,904	3,912
Gains							
0	Total Gains	0	0	-	0	0	0
3,511	Total Income	4,807	3,914	-19	3,905	3,904	3,912
Expenses							
2,850	Training Program Expenses	3,580	3,580	-	3,580	2,850	2,850
379	Employee Expenses	379	390	3	401	412	424
35	Superannuation Expense	35	36	3	37	38	39
247	Supplies and Services	247	254	3	262	272	282
1	Depreciation and Amortisation	1	1	-	1	0	0
3,512	Total Ordinary Expenses	4,242	4,261	1	4,281	3,572	3,595
-1	Operating Result	565	-347	-161	-376	332	317
-1	Total Comprehensive Income	565	-347	-161	-376	332	317

**ACT Building and Construction Industry Training Fund Authority
Balance Sheet**

Budget as at 30/6/17 \$'000		Est.Outcome as at 30/6/17 \$'000	Planned as at 30/6/18 \$'000	Var %	Planned as at 30/6/19 \$'000	Planned as at 30/6/20 \$'000	Planned as at 30/6/21 \$'000
Current Assets							
3,287	Cash and Cash Equivalents	4,719	4,373	-7	3,998	4,330	4,647
425	Receivables	372	372	-	372	372	372
7	Other	10	10	-	10	10	10
3,719	Total Current Assets	5,101	4,755	-7	4,380	4,712	5,029
Non Current Assets							
2	Property, Plant and Equipment	4	3	-25	2	2	2
2	Total Non Current Assets	4	3	-25	2	2	2
3,721	TOTAL ASSETS	5,105	4,758	-7	4,382	4,714	5,031
Current Liabilities							
34	Payables	480	480	-	480	480	480
49	Employee Benefits	57	57	-	57	57	57
83	Total Current Liabilities	537	537	-	537	537	537
Non Current Liabilities							
14	Employee Benefits	25	25	-	25	25	25
14	Total Non Current Liabilities	25	25	-	25	25	25
97	TOTAL LIABILITIES	562	562	-	562	562	562
3,624	NET ASSETS	4,543	4,196	-8	3,820	4,152	4,469
REPRESENTED BY FUNDS EMPLOYED							
3,624	Accumulated Funds	4,543	4,196	-8	3,820	4,152	4,469
3,624	TOTAL FUNDS EMPLOYED	4,543	4,196	-8	3,820	4,152	4,469

ACT Building and Construction Industry Training Fund Authority
Statement of Changes in Equity

Budget as at 30/6/17 \$'000		Est.Outcome as at 30/6/17 \$'000	Planned as at 30/6/18 \$'000	Var %	Planned as at 30/6/19 \$'000	Planned as at 30/6/20 \$'000	Planned as at 30/6/21 \$'000
Opening Equity							
3,625	Opening Accumulated Funds	3,978	4,543	14	4,196	3,820	4,152
3,625	Balance at the Start of the Reporting Period	3,978	4,543	14	4,196	3,820	4,152
Comprehensive Income							
-1	Operating Result for the Period	565	-347	-161	-376	332	317
-1	Total Comprehensive Income	565	-347	-161	-376	332	317
Closing Equity							
3,624	Closing Accumulated Funds	4,543	4,196	-8	3,820	4,152	4,469
3,624	Balance at the End of the Reporting Period	4,543	4,196	-8	3,820	4,152	4,469

**ACT Building and Construction Industry Training Fund Authority
Cash Flow Statement**

2016-17 Budget \$'000		2016-17 Est.Outcome \$'000	2017-18 Budget \$'000	Var %	2018-19 Estimate \$'000	2019-20 Estimate \$'000	2019-20 Estimate \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
3,420	Levies Received	4,700	3,800	-19	3,800	3,800	3,800
91	Interest Received	107	114	7	105	104	112
250	GST – ITC Received from the ATO	250	250	-	250	250	250
3,761	Operating Receipts	5,057	4,164	-18	4,155	4,154	4,162
	Payments						
414	Related to Employees	414	426	3	438	450	463
3,097	Related to Supplies and Services	3,529	3,834	9	3,842	3,122	3,132
250	GST – ITC Paid to Suppliers	250	250	-	250	250	250
3,761	Operating Payments	4,193	4,510	8	4,530	3,822	3,845
0	NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES	864	-346	-140	-375	332	317
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Payments						
0	Purchase of Property, Plant and Equipment	0	0	-	0	0	0
0	Investing Payments	0	0	-	0	0	0
0	NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	0	0	-	0	0	0
0	NET INCREASE/ (DECREASE) IN CASH HELD	864	-346	-140	-375	332	317
3,287	CASH AT BEGINNING OF REPORTING PERIOD	3,855	4,719	22	4,373	3,998	4,330
3,287	CASH AT THE END OF THE REPORTING PERIOD	4,719	4,373	-7	3,998	4,330	4,647

Notes to the Budget Statements

Significant variations are as follows:

Operating Statement

- Levy Income: the increase of \$1.280 million in the 2016-17 estimated outcome from the original budget is due to an increase in levy revenue associated with estate development works, civil construction and landscaping works and a one off payment for construction works related to the Stage I Light Rail Project. The decrease of \$0.900 million from the 2016-17 estimated outcome for the 2017-18 Budget is due to no additional levy revenue expected for construction works relating to the Stage I Light Rail Project.
- Interest Income: the increase of \$0.016 million in the 2016-17 estimated outcome from the original budget is due to higher balances of cash held in the bank. This trend continues in the forward years.
- Training Program Expenses: the increase of \$0.730 million in the 2016-17 estimated outcome from the original budget is due to higher participation and outcomes in training programs and an increase in the number of incentive payments provided to Group Training Companies and employers employing apprentices in identified skills shortage trades. The Authority expects Training expenses in the 2017-18 and 2018-19 forward year will continue at the 2016-17 level as the training and employment of apprentices continues under their contract of training.

Balance Sheet

- Cash and Cash Equivalents: the increase of \$1.432 million in the 2016-17 estimated outcome from the original budget is mainly due to the higher values of levies associated with civil construction roads work, landscaping and works related to the Stage I Light Rail Project received in 2016-17.

Statement of Changes in Equity

Variations in the statement are explained in the notes above.

Cash Flow Statement

Variations in the statement are explained in the notes above.