

Tertiary Education Report: Meeting with Competenz

Date:	30 May 2018	TEC priority:	Medium
Security level:	In Confidence	Report no:	B/18/00143
		Minister's office No:	

ACTION SOUGHT		
	Action sought	Deadline
Hon Chris Hipkins Minister of Education Hon Jenny Salesa Associate Minister of Education	Note the contents of this briefing ahead of your meeting with Competenz on 14 June 2018; and proactively release this briefing after the meeting, with some information withheld at that time.	14 June 2018
Enclosure: No	Round Robin: No	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)				
Name	Position	Telephone		1st contact
Mike Blanchard	Deputy Chief Executive, Operations	9(2)(a)	9(2)(a)	
Section 9(2)(a)	Acting Manager, ITO Investment	Section 9(2)(a)		✓

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT

- DPMC
 MPI
 ENZ
 ERO
 MBIE
 MoE
 MFAT
 MPP
 MSD
 NZQA
 NZTE
 TEC
 TPK
 Treasury

Minister's Office to Complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

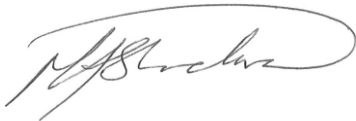
Comments:

Recommendations

Hon Chris Hipkins, Minister of Education and **Hon Jenny Salesa**, Associate Minister of Education

It is recommended that you:

1. **note** the contents of this briefing prior to your meeting with Competenz on 14 June 2018; and
2. **proactively release** this briefing after the meeting, with some information withheld at that time (the table following paragraph 31 is to be withheld as these matters are under consideration and as Competenz is yet to publish its *Briefing to the Incoming Minister*).



Mike Blanchard

Deputy Chief Executive, Operations
Tertiary Education Commission

30 May 2018

Hon Chris Hipkins

Minister of Education

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Hon Jenny Salesa

Associate Minister of Education

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This briefing is for your meeting with Competenz

1. This briefing provides you with background information to support your meeting with Competenz on 14 June 2018.
2. You will be meeting with Mike Simm (chair) and Fiona Kingsford (chief executive). Their biographies are included in Appendix A.

Background information on Competenz

Industry coverage

3. Competenz is one of the most diverse industry training organisations (ITOs) due to the many industries it covers. It has coverage for the following industries: mechanical engineering, engineering fabrication, refrigeration and air conditioning, locksmithing, manufacturing, food and beverage processing, baking, forestry, communications and media, journalism, maritime, and rail.
4. Coverage for this broad suite of industries is the result of mergers with the Communications and Media ITO (2014), the Plastics and Materials Processing ITO (2013), the Forestry Industry Training and Education Council (2013), and the Retail Meat ITO (2012).

Competenz identified enrolment errors in 2017 and was subject to an investigation

5. In mid-2017 Competenz advised us it had identified issues with one of its employers concerning the eligibility of temporary trainees for TEC funding.
6. On behalf of Competenz, and in collaboration with the TEC, Grant Thornton undertook an investigation into Competenz's trainee enrolment and eligibility assessment processes. The investigation found that Competenz received funding for ineligible temporary trainees in 2015 and 2016. This resulted in Competenz repaying \$56,081 (GST exclusive) for over-funding.
7. Grant Thornton's wider review of eight of Competenz's largest clients identified other mainly minor administrative matters, which are being addressed.
8. Competenz has subsequently reviewed its internal processes to ensure this sort of event will not occur again. We will undertake a follow-up audit later in 2018 to ensure all issues have been addressed. The Grant Thornton report was recently published on our website.

Competenz sought a Plan amendment to reduce funding in 2017

9. Competenz requested a Plan amendment in 2017 in light of its reduced training volumes. This decreased funding by \$3.2 million. The last four years of funding and learner numbers are summarised in table 1 below.

Table 1: Funding and learner numbers 2014-17

	2014	2015	2016	2017
Funded delivery	\$23.7m	\$23.8m	\$25.1m	\$22.2
Total trainees and apprentices	19,900	18,700	19,500	17,600

10. Further learner demographic and performance information is in Appendix B.

Competenz's performance has improved over the last few years

11. Competenz's educational performance has improved over the last few years with 2017 rates now above the ITO sector average. These rates are shown in table 2 below.
12. Performance of Competenz's top ten funded programmes is mixed. Competenz's top two funded programmes are apprenticeships in mechanical engineering and engineering fabrication. These programmes comprise over a quarter of the ITO's total funding and both have good performance.
13. Low performance in forestry programmes reflects both historically poor engagement by the industry, and new programmes where enrolments are now increasing at a greater rate than completions are occurring.

Table 2: Educational performance indicators 2014-17

	Credit Achievement				Programme Completion			Cohort-Based Programme Completion ¹	
	2014	2015	2016	Section 9(2)(b)(ii)	2014	2015	2016	2016	Section 9(2)(b)(ii)
Competenz	71%	70%	75%		67%	69%	72%	59%	
ITO subsector	76%	80%	80%		72%	75%	77%	62%	

**2017 results are yet to be published.*

Competenz's External Evaluation and Review (EER) and recognition status

14. NZQA published Competenz's EER in October 2014. Competenz was assessed as confident in ITO performance and highly confident in capability in self-assessment. This EER result means Competenz is a category 2 ITO. Competenz is due for its next EER this year.
15. Competenz will be due for recognition again in January 2021.

Competenz is responding to the needs of its industries

Competenz is expecting future growth for industry trainees and apprenticeships

16. Competenz is forecasting industry trainee and apprentice growth in a number of its industries (mechanical engineering, manufacturing, maritime, heating, refrigeration and air conditioning) and a decline in others (packaging, plastics processing, print, wood manufacturing).
17. A 2016 report from Infometrics highlights the growing demand for skills in the manufacturing sector.² The number of medium-high and high-skilled jobs has grown by an average of 1.7 percent per year over the last 15 years.
18. Infometrics forecasts there will be over 25,000 job openings in the manufacturing sector over the next few years, representing 17 percent of the industry's workforce. Lower-level jobs are being superseded by more skilled or technical roles that enable manufacturing firms to engage in broader production processes from design through to delivery.

¹ The cohort-based programme completion was introduced in 2016. The previous programme completion measure is included for context only.

² Shaun Twaddle, *Skills more important than ever in the manufacturing sector* (23 August 2016), <http://www.infometrics.co.nz/skills-important-ever-manufacturing-sector/>

19. Additional funding of up to \$1 million is available via our growth facility should growth occur.

Competenz is supporting secondary-tertiary transitions to employment and training

20. Competenz, like many other ITOs, is engaging with schools, learners, and parents to facilitate transitions to employment and on-the-job training (including through Gateway programmes, and secondary-tertiary pathways).

21. Competenz is one of nine ITOs that have supported the '*Got a Trade? Got it Made!*' campaign. This entails a range of promotional activities and events, to raise awareness of on-the-job training and careers in the trades and services industries.

Competenz is working with Māori and Pasifika Trades Training (MPTT) consortia

22. Fiona Kingsford chairs one of the MPTT consortia in Auckland (Auckland Māori and Pasifika Trades Training Initiative (AMPTI)). ITOs have not played much of a role in MPTT consortia around the country. The move is designed to provide a stronger link between employers and provider-based courses.

23. AMPTI is the largest of the current 16 consortia, making up just under a quarter of all contracted learners for 2018. AMPTI provides pre-trades training in a range of trade related activities with a strong focus on traditional trades.

24. The consortium has a diverse membership, including TEOs, iwi, employers and ITOs. With its primary base at Manukau Institute of Technology, AMPTI also delivers through Unitec, G and H Training Limited and the New Zealand Management Academy.

Overlapping provision is a key concern for Competenz

25. Overlapping provision refers to Student Achievement Component (SAC) funded provision that is largely similar to industry training with the learner employed, learning on- and off-the-job and enrolled in a qualification directly related to their job. Overlapping provision has been an ongoing issue for the last 20 years.

26. Competenz has raised concerns about overlapping provision in certain sectors (particularly engineering) where providers are able to offer employers more financially attractive training packages due to the funding differential between SAC and industry training.

27. Competenz, along with other ITOs, report institutes of technology and polytechnics are directly approaching employers engaged with industry training and offering alternative training packages for their employees. This behaviour is partly motivated by declining enrolments amongst tertiary providers.

Forestry training is a key issue

28. The forestry sector has a range of capability and capacity issues. There are also challenges with perception as the sector is often seen as low-skilled and potentially dangerous. Forestry is characterised by lower numbers of workers with formal qualifications (compared to other primary industries) and low retention rates.

29. Technology is impacting forestry work and the type of skills required. The sector is transitioning to a more highly skilled workforce as mechanisation and automation become more widespread and advanced.

30. Competenz is working with the Ministry for Primary Industries and the Forestry Owners Association to further develop information on careers pathways in the sector.

31. Forestry is a particularly high-cost training model due to the significant levels of supervision required for safe training and the remote location of the workplace. Competenz is advocating for increased funding for ITOs for this type of high-cost provision.

32. Competenz has been redeveloping its forestry qualifications to better align with industry needs. It has been promoting the new qualifications to industry and is forecasting an increase in trainee numbers for 2018 and beyond.

33. Section 9(2)(b)(ii)
[Redacted]

Discussion points identified by Competenz

34. Section 9(2)(f)(iv)
[Redacted]

Section 9(2)(f)(iv)
[Redacted]

Section 9(2)(f)(iv)



Appendix A – Biographies



Mike Simm

Chair

Mike has been the chair of Competenz since 2012.

He has been a professional director since 2002 and is a Chartered Fellow of the Institute of Directors. Mike is currently chair of Waitangi Ltd, and a director of Ngapuhi Asset Holding Co, Taharoa Ironsands Ltd, Kerikeri Village Trust, and director/trustee of several smaller Northland entities.

Mike has been active in the tourism and engineering sectors and in economic development serving as director/trustee/advisor in a number of related companies, trusts and local and central government entities.

He has a special interest in youth development and transitions from school to work.



Fiona Kingsford

Chief Executive

Fiona has been CE of Competenz since January 2016.

Prior to this she held various management and strategy roles at Competenz where she started in 2008.

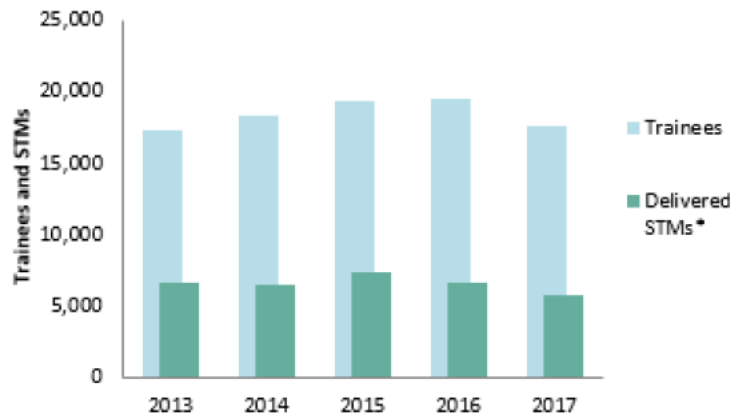
Among her qualifications, Fiona holds an Advanced Diploma in Human Resource Management from the Manukau Institute of Technology and an Executive MBA from the University of Auckland.

Appendix B – Competenz key learner demographic and performance information

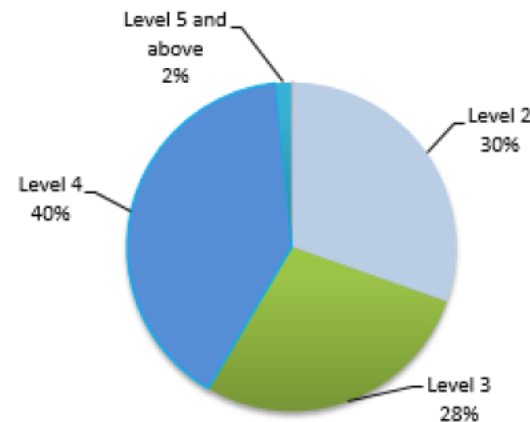


Competenz

Trend in ITO delivery 2013-17



Level trainees are enrolled at 2017



ITO Overview

Industry coverage: Engineering, manufacturing, forestry, communications and media, maritime and rail transport, and other trades (locksmithing, fire protection, refrigeration, heating and air conditioning).

2018 allocated funding: \$24,000,000

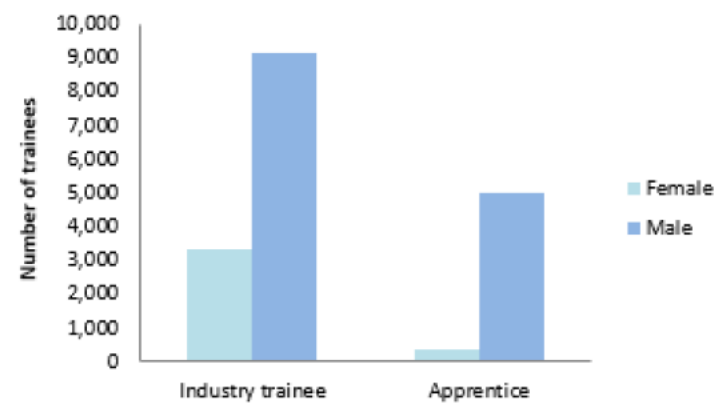
Chair: Mike Simm

Chief Executive: Fiona Kingsford

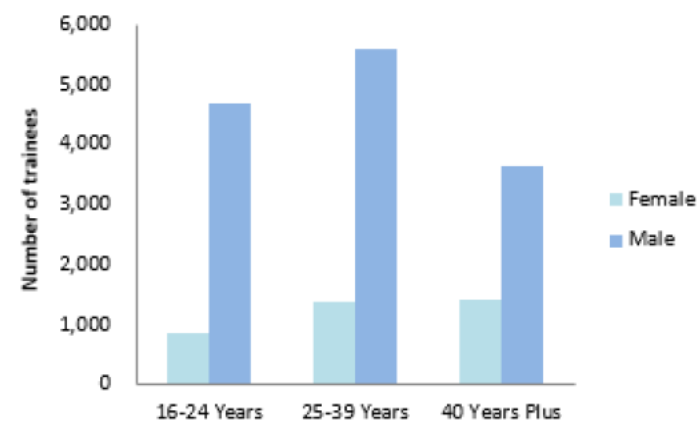
Educational Performance Indicators

	Participation		Credit Achievement		Cohort-based Programme Completion	
	2017	2016	2017	2016	2017	2016
All	9(2)(b)(ii)	-	9(2)(b)(ii)	75%	9(2)(b)(ii)	72%
Māori		21%		73%		66%
Pasifika		8%		69%		64%
Under 25s		31%		75%		74%

Type and gender of trainees 2017



Age and gender of trainees 2017



Summary of Financial Information

	(NZ\$000)	
	2017	2016
Industry Cash Contribution# (calculated by TEC)	pending	\$ 8,369
Rate	pending	25%

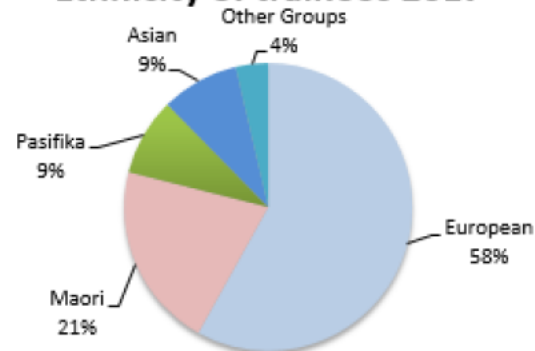
Statement of Financial Performance¹

	2017	2016
Revenue		
Total government revenue	\$23,164	\$25,268
Industry & other revenue	\$27,495	\$26,131
Total revenue	\$50,659	\$51,399
Expenses		
Personnel	\$30,842	\$29,093
Other expenses ²	\$21,753	\$21,754
Total expenses	\$52,595	\$50,847
Net surplus (after unusual and non-recurring items)	-\$ 1,936	\$ 552
Assets		
Property plant equipment and intangibles	\$ 8,070	\$ 7,329
Other assets	\$ 9,779	\$12,763
Total Assets	\$17,849	\$20,092

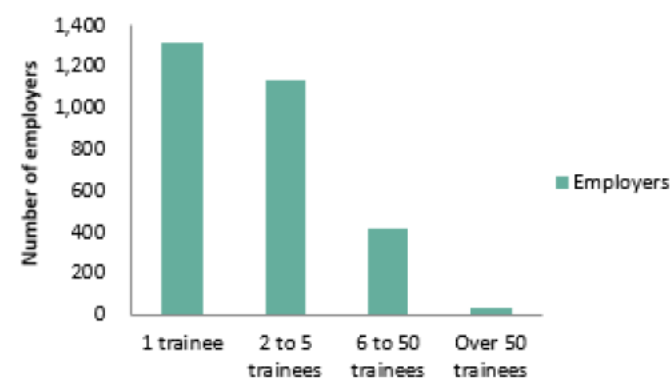
¹ From 2017 annual report

² Including depreciation & amortisation

Ethnicity of trainees 2017



Trainees per employer 2017



* An STM is a Standard Training Measure and is equivalent to 120 credits.

#The industry cash contribution rate shows the amount of income received from employers and trainees as a proportion of all the income received by the ITO. It is a condition of funding that employers make a financial contribution towards training. ITOs are expected to receive minimum industry cash contributions of between 20% (for ITOs with mainly apprentices) and 30% (for ITOs with mainly industry trainees) of their total income.