

Tertiary Education Report: Recognition of Skills Active Aotearoa Limited as an industry training organisation

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|------------------------|---------------|------------------------------|------------|
| Date: | 7 June 2019 | TEC priority: | High |
| Security level: | In Confidence | Report no: | B-19-00702 |
| | | Minister's office No: | |

| ACTION SOUGHT | | |
|---|--|--------------|
| | Action sought | Deadline |
| Hon Chris Hipkins Minister of Education | <p>approve the recognition of Skills Active Aotearoa Limited (Skills Active) for the specified industries for a period of five years from 26 June 2019;</p> <p>note if approved we will publish a notice in the <i>New Zealand Gazette</i> reflecting your decision; and</p> <p>sign and send the attached letter to the Chair of the Skills Active Board, notifying him of your decision.</p> | 18 June 2019 |
| Enclosure: Yes. Letter and Gazette notice. | Round Robin: No | |

| CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED) | | | | |
|--|---|-----------|--|-------------|
| Name | Position | Telephone | | 1st contact |
| Gillian Dudgeon | Deputy Chief Executive, Delivery | s9(2)(a) | | |
| s9(2)(a) | Principal Relationship Manager, Delivery/Relationships Invest | s9(2)(a) | | ✓ |

| THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT | | | | | | |
|--|------------------------------|--|--|---|------------------------------|-----------------------------------|
| <input type="checkbox"/> DPMC | <input type="checkbox"/> MPI | <input type="checkbox"/> ENZ | <input type="checkbox"/> ERO | <input type="checkbox"/> MBIE | <input type="checkbox"/> MoE | <input type="checkbox"/> MFAT |
| <input type="checkbox"/> MPP | <input type="checkbox"/> MSD | <input checked="" type="checkbox"/> NZQA | <input type="checkbox"/> NZTE | <input checked="" type="checkbox"/> TEC | <input type="checkbox"/> TPK | <input type="checkbox"/> 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 Withdrawn | | | |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

It is recommended that you:

1. **note** that you, as Minister of Education, have the statutory power under the Industry Training and Apprenticeships Act 1992 (the Act) to recognise an organisation as an industry training organisation (ITO) for a specified industry;
2. **note** that we and the New Zealand Qualifications Authority (NQZA) consider that Skills Active Aotearoa Limited (Skills Active) satisfies the requirements for recognition under section 5 and 7 of the Act;
3. **approve** the recognition of Skills Active as an ITO for the specified industries for a period of five years from 26 June 2019;
4. **sign** and **send** the attached letter to Sam Napia, Chair of the Skills Active Board, notifying him of your decision (Appendix C); and

AGREED / NOT AGREED

5. **agree** to proactively release this briefing in full.



Gillian Dudgeon

Deputy Chief Executive, Delivery
Tertiary Education Commission

7 June 2019

Hon Chris Hipkins

Minister of Education

___ / ___ / ___

Purpose

1. We recommend that Skills Active be recognised as an ITO for the specified industries and NZQA supports our recommendation.

Background

2. As Minister, you may recognise any body corporate as an ITO under section 5 and 7 of the Act, once satisfied the organisation meets the requirements of section 5 and 7 of the Act. Recognition is a TEC funding requirement for ITOs. However, having recognition does not guarantee we will fund the ITO.
3. Your power under the Act and the powers of both us and NZQA enable significant influence over the activities, behaviour and performance of ITOs when warranted.
4. Where the performance of an ITO becomes a concern, NZQA may issue a quality assurance improvement notice to an ITO. We can also apply the performance consequences framework to tertiary education organisations, which includes attaching conditions to funding through our Investment Plan process. You may also impose a condition or amend any existing conditions in order to address issues.
5. Skills Active's application for full recognition as an ITO has been assessed against the specific criteria set out in sections 5 and 7 of the Act (see Appendix A).
6. The Act specifies that the recognition of an industry training organisation expires after five years. The Act does not provide you with any powers to recognise an ITO for a shorter time period unless recommended by NZQA due to quality assurance concerns. The Act gives you the ability to cancel an ITOs recognition but only under certain circumstances.
7. Any changes under RoVE could result in a change to legislation pertaining to ITO recognition, including the impact on current recognitions. For the time being, however, the current legislative provisions will apply to your decision to recognise any ITO.

We have assessed Skills Active's application for recognition

8. Skills Active has applied for recognition as its recognition period expires on 26 June 2019. It is seeking recognition for the sports, fitness and recreation, and performing arts industries. This includes the planning, management, promotion and delivery of sport, fitness, community recreation, outdoor recreation, diving (excluding aquaculture), snowsport and performing arts.
9. By level of TEC funding, Skills Active is a small ITO. In 2019 it has been allocated \$5.7 million from the Industry Training Fund. Delivery over 2017 and 2018 has sat at around 101 percent of their allocation.

Quality assurance

10. NZQA's External Evaluation and Review (EER) process forms the basis of NZQA's assessment of an ITO's:
 - skills and knowledge to develop and maintain skill standards and arrange the delivery of training (section 11B of the Act);
 - systems and processes to enable compliance with quality assurance requirements (section 5 of the Act); and
 - capability, knowledge and experience to enable compliance with quality assurance requirements (section 5 of the Act).

11. In addition to the EER, NZQA utilises information from:

- the ITO's national external moderation system and its participation in NZQA moderation systems;
- the ITO's participation in qualification consistency;
- tertiary records (trainee results and qualification requirements);
- risk management and complaints investigation;
- quality assurance of unit standards, consent and moderation requirements, programmes of industry training and qualifications in relation to approvals and accreditations;
- the ITO's participation in the NZQA process to consider applications for consent to assess against the ITO's standards;
- the ITO's engagement with programme developers, where the ITO is the qualification developer; and
- any applications from the ITO to assess against standards developed by the National Qualifications Services and Māori Qualifications Services, or other ITOs.

12. NZQA has no significant current or ongoing issues with the quality assurance of Skills Active's units, consent and moderation requirements, and programmes or qualification applications.

13. NZQA published Skills Active's EER in September 2017. Skills Active was assessed as highly confident in ITO performance and highly confident in capability in self-assessment. This EER risk assessment means Skills Active has a Category 1 EER.

14. In the EER report, NZQA noted that Skills Active is focused on understanding the needs of its industries, industry engagement is systematic and effective and that the ITO is providing significant value for employers and their trainees.

Educational performance

15. Skills Active's overall educational performance has been very good over the last few years. It has consistently exceeded the ITO subsector average in both credit achievement and programme completion (Table 1).

Table 1: Educational performance indicators for Skills Active¹

| | Credit achievement | | | Programme completion | | |
|-------------------------------|--------------------|------|------|----------------------|------|------|
| | 2016 | 2017 | 2018 | 2016 | 2017 | 2018 |
| Skills Active - All learners | 86% | 84% | 79% | 74% | 75% | 77% |
| ITO sub-sector | 82% | 79% | 76% | 59% | 68% | 67% |
| Skills Active | | | | | | |
| Māori | 81% | 85% | 81% | 63% | 71% | 66% |
| Pacific Peoples | 71% | 77% | 77% | 61% | 68% | 69% |
| Non-Māori/non-Pacific Peoples | 86% | 83% | 80% | 76% | 75% | 78% |
| Apprenticeships | 27% | 46% | 56% | n/a | 20% | 17% |

¹ The data is as at 27 May 2019. It may differ from previously published information due to different as at dates. The information is sourced from the 'My Performance ITR' App using the 'Summary' sheet with filters for reporting year (2016, 2017 and 2018), TEO (8129 – Skills Active Aotearoa Limited), ethnicity (Māori, Pacific Peoples and all except Māori and Pacific Peoples) and cohort group (apprenticeships). This data has been compiled specifically to respond to this question. It uses administrative data collected by the Tertiary Education Commission for the purposes of funding tertiary education. Care should be taken when making comparisons with other data collected or compiled for other purposes.

16. Apprentices were 6 percent of Skills Active’s funded delivery in 2018. Credit achievement and programme completion for apprentices in 2018 is low compared to the sector average for apprentices of 84 percent and 42 percent respectively. The sector Skills Active represents, which has not had a history of apprenticeships and longer term career development, has been slow to respond to apprenticeships. Skills Active is working with the sector to ensure that apprenticeship programmes meet the sector needs.
17. In 2018, credit achievement rates for both Māori and Pacific Peoples learners exceeded the sub-sector averages.

Financial performance

18. Skills Active is considered low risk on the ITO Financial Monitoring Framework. There are no current investigations underway relating to Skills Active.
19. The required level of financial contribution from industry is 30 percent for industry training and 20 percent for New Zealand Apprenticeships. Since 2013, Skills Active’s level of industry cash contribution has been above this level at between 35 to 40 percent.
20. The latest available Industry Cash Contribution (ICC) for Skills Active is the 2017 calculation at s9(2)(b)(ii). Most of Skills Active’s ICC contribution comes from direct employer contributions. This is compliant with the ICC calculation requirements, but not ideal as it increases the government funding as a proportion of the ITOs total income. In 2017 Government funding was s9(2)(b)(ii) of Skills Active’s total income, the 2nd highest ratio among the ITOs.

Table 2: Industry cash contribution rates for Skills Active

| | 2015 | 2016 | 2017 |
|---------------|--------------|------|------|
| Skills Active | s9(2)(b)(ii) | | |

Industry support

21. Skills Active has provided letters of support for recognition from six industry associations and ten ITOs.

Overall performance

22. As well as assessing the recognition application from the ITO, we draw on our own performance information about the ITO if it was funded while recognised. This information includes, but is not limited to:
- the ITO’s Investment Plan;
 - the findings of TEC audits;
 - standard training measure consumption and use of additional allocations; and
 - results of funding offsets.
23. We are satisfied with Skills Active’s financial and educational performance during its current and prior recognition periods.

Conclusion

We recommend Skills Active be recognised

24. Based on the analysis set out above (and in further detail in Appendix A) we, in consultation with NZQA, recommend you approve the recognition of Skills Active as the ITO for the sports, fitness and recreation, and performing arts industries for a period of five years from 26 June 2019. This includes the planning, management, promotion and delivery of sport, fitness, community recreation, outdoor recreation, diving (excluding aquaculture), snowsport and performing arts industries.

Communications

25. Skills Active has been advised of this report's recommendations.

26. If you recognise Skills Active as an ITO, we will publish a notice in the *New Zealand Gazette*, detailing Skills Active's recognition and industries of coverage (Appendix B).

27. A letter is attached for you to sign and send to Sam Napia, Chair of the Skills Active Board, advising him of the outcome of your decision (Appendix C).

28. TEC will also communicate your decision to Skills Active. The TEC has prepared the following talking points for Relationship Managers should they get questions about the impact of the Reform of Vocational Education on their recognition:

- The Government is still considering options around the proposed Reform of Vocational Education, and at this stage, it is 'business as usual' for ITOs.
- For this reason, the Minister has followed the normal process for the re-recognition of ITOs.
- We hope to be able to share more information with you following Cabinet decisions in mid-2019.

Appendix A: Assessment against the relevant sections of the Industry Training and Apprenticeships Act 1992

Section 5(3) of the Act lists the considerations that the Minister must be satisfied with before recognising an ITO:

Section 5(3)(a) - the Minister must take into account the matters set out in section 7.

The TEC and NZQA are satisfied that Skills Active meets section 5(3)(a) of the Act .

Section 7(a) - whether the organisation can provide services to a sufficient number of employers in the specified industry.

Skills Active Aotearoa Limited (Skills Active) has been funded for between 1,400 and 1,731 standard training measures (STMs) over the last five years. It is well connected to peak bodies and organisations across its gazetted coverage. Employers are well served by a range of programmes, including customised programmes and short training packages fully funded by employers.

Section 7(b) - whether the organisation is adequately funded by employers in the specified industry.

The latest available Industry Cash Contribution (ICC) for Skills Active is the 2017 calculation at s9(2)(b)(ii). This exceeds the minimum required but is primarily direct employer payments (supported by invoices), rather than payments directly to the ITO. While we expect a note in the ITO's Annual reports confirming their ICC, the 2017 Skills Active Annual report does not include this note. If the direct employer contributions element of the ICC calculation is excluded, the Skills Active ICC drops to s9(2)(b)(ii) which is well below the amount required.

| 2015 | 2016 | 2017 |
|--------------|------|------|
| s9(2)(b)(ii) | | |

Section 7(c) - whether the organisation has adequate arrangements for involving employers in the governance of the organisation.

Skills Active is a charitable company with a board of directors and shareholders. The board is elected by the shareholder organisations. The shareholder base is comprised of 27 organisations representing employers across the sport, community recreation, exercise, ngā mahi a te rēhia (sports, culture and leisure), outdoor recreation, snowsport and performing arts industries. 50 percent of the shares are held by Māori organisations. Board directors are appointed on the basis of sector knowledge, corporate governance experience and significant business experience.

Section 7(d) - whether the organisation can monitor demand for industry training and respond to that demand at the required skill level required in the specified industry.

Skills Active have processes in place to monitor short and long-term industry training demand, which is reflected in its Investment Plan and Workforce Scan. These processes include surveys and data collected directly from its industries and Infometrics data to analyse labour market trend, workforce projections and skills requirements. Skills Active has developed an action plan to respond to needs identified in the Workforce Scan.

Skills Active undertakes both core activities of ITOs: setting standards and arranging training. It has 40 qualifications on the New Zealand Qualifications Framework and 780 registered

standards on the Directory of Assessment Standards. Of these registered standards 418 are under review or due for review and 19 qualifications are under or due for review by the end of December 2019.

Section 7(e) - whether the organisation can avoid unnecessary duplication of resources in providing industry training for the specified industry.

Skills Active have Industry Advisory Groups (IAGs) to provide strategic advice and direction to identify and respond to workforce development needs. Technical Advisory Groups (TAGs) are convened as and when required for specific qualification, standards and programme development and/or review. These groups represent the various industries as required and often include subject matter experts.

Section 7(f) - whether the organisation has the necessary Qualifications Authority approval for programmes and/or training schemes and consent to assess learners against the relevant standards.

Skills Active meets all relevant NZQA requirements such as programme approvals, consent to assess, consent and moderation requirements and national external moderation systems.

Section 7(g) - whether the organisation performed satisfactorily at other times when the organisation has been recognised.

Skills Active has performed satisfactorily during its current recognition period. The ITO has maintained its educational and financial performance and responded to industry need.

TEC's most recent audit of Skills Active (in 2017) did not identify any findings requiring attention. The report noted that Skills Active has systems in place to ensure that data input is accurate and unit standard credit achievements are reported to NZQA in a timely manner.

Section 7(h) - the organisation has taken reasonable steps to avoid fragmentation and to provide a clear and representative industry focus.

Skills Active is a small ITO with relatively niche coverage and has maintained a focus on industries that are representative of its gazetted scope. Its application included six letters of support from industry stakeholders and outlined that it works with 540 employers in these industries.

s9(2)(g)(i)

Section 5(3)(b) - the Minister must be satisfied that the organisation has the skills and knowledge to carry out the core activities of an industry training organisation under section 11B(1)(a) of the Act, namely:

- (i) to develop and maintain skill standards; and
- (ii) to arrange the delivery of training for trainees to meet those standards.

The TEC and NZQA are satisfied that Skills Active meets section 5(3)(b) of the Act.

Skills Active maintains 40 qualifications and 780 standards on NZQA's Directory of Assessment Standards.

Skills Active effectively arranges training and undertakes the development of standards, qualifications and programmes to meet demand within its classified industries.

Section 5(3)(c) - the Minister must be satisfied (following consultation with the Qualifications Authority) that the organisation has:

- (i) systems and processes to enable that organisation to comply with the prescribed quality assurance requirements; and**
- (ii) the knowledge, capability and experience to enable the organisation to comply with the prescribed quality assurance requirements.**

The TEC and NZQA are satisfied that Skills Active meets section 5(3)(c) of the Act

NZQA published Skills Active's EER in September 2017. A copy of the report from that review has been published on NZQA's website. The overall assessment of the ITO was Highly Confident in ITO performance and Highly Confident in capability in self-assessment. The report noted that: Skills Active is focused on understanding the needs of its industries, industry engagement is systematic and effective and that the ITO is providing significant value for employers and their trainees.

There are good processes in place to assure the quality of assessment. There is good evidence that the scope of moderation and the percentage of assessors meeting requirements has increased significantly since 2014. In addition, registration, support and monitoring for assessors has improved, with further work being done to ensure assessing, and training and support for assessors, is sufficient and effective.

Appendix B: Proposed notice for publication in the New Zealand Gazette

Notice of Recognition of Skills Active Aotearoa Limited

Pursuant to section 5 of the Industry Training and Apprenticeships Act 1992 Skills Active Aotearoa Limited is recognised as an industry training organisation for the sports, fitness, recreation, and performing arts industries. This includes the planning, management, promotion and delivery of sport, fitness, community recreation, outdoor recreation, diving (excluding aquaculture), snowsport and performing arts.

The recognition takes effect from 26 June 2019.

Dated at Wellington this ___ day of June 2019.
Hon Chris Hipkins, Minister of Education.

Appendix C: Proposed letter of notification to Skills Active

Sam Napia
Chair
Skills Active Aotearoa Limited
PO Box 2183
Wellington 6140

Dear Sam

I am pleased to advise that I have approved, pursuant to section 5 of the Industry Training and Apprenticeships Act 1992 (the Act) and subject to notification in the *New Zealand Gazette*, recognition of Skills Active Aotearoa as an industry training organisation, with effect from 26 June 2019, for your requested industries.

A copy of the notice that will be published in the *New Zealand Gazette* is enclosed with this letter for your information.

I have made this decision based on advice prepared by the Tertiary Education Commission and information supplied by your organisation and the New Zealand Qualifications Authority. I am advised that this advice was shared with you.

As you will be aware, if for any reason I lose confidence in an industry training organisation's ability to meet the requirements of the Act, I can impose a condition of recognition. If an industry training organisation does not meet a condition of recognition, this may begin the process of cancelling the recognition under section 9 of the Act. Under section 159YG of the Education Act 1989, the Tertiary Education Commission can also suspend or revoke funding if an industry training organisation is not complying with funding conditions.

Thank you for your continued efforts in and contribution to industry training.

Yours sincerely

Chris Hipkins
Minister of Education

Cc: Grant Davidson, Chief Executive, Skills Active Aotearoa
Enc. (copy of Gazette notice)

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