

Event backgrounder: Information to support your meeting with Toby Beaglehole, Chief Executive, Building and Construction Industry Training Organisation (BCITO), on 1 July 2021

To:	Hon Chris Hipkins, Minister of Education
From:	Panny Litras, Acting Manager, Delivery & Projects
Date:	30 June 2021
Reference:	E-21-00318

Purpose

1. You are meeting with Toby Beaglehole, Chief Executive, Building and Construction Industry Training Organisation (BCITO), on Thursday 1 July 2021, from 10.00am – 10.30am.
2. Mr Beaglehole indicated in March 2021 that he would like to discuss increasing numbers of apprentices, as a result of initiatives such as Apprenticeship Boost (ABI) and the Targeted Training and Apprenticeship Fund (TTAF), and the pressure this is putting on capacity at BCITO.
3. This backgrounder provides you with information to support the discussion including: BCITO's 2021 enrolment numbers and funding; TEC's recent engagement with BCITO; and a brief summary of progress towards transitioning BCITO's arranging training functions to Te Pūkenga.
4. We recommend that you proactively release this event backgrounder in full.

About BCITO

5. BCITO manages apprenticeships and traineeships for the building and construction industry, and has a 2021 current approved allocation that includes \$54.6 million under the Industry Training Fund (ITF), and \$41.8 million of funding from the TTAF¹. BCITO is funded to deliver to approximately 10,344 STMs in 2021².

¹ Data sourced from Qlik as at 24 June 2021, My Allocations and Payments App, using the Summary sheet with filters for reporting year (2021) and TEO (8101 – Building & Construction Industry Training Organisation).

² Data sourced from Qlik as at 24 June 2021, My Industry Training Commitments App, using the Volume (STMs) mix of provision sheet with filters for reporting year (2021) and TEO (8101 – Building & Construction Industry Training Organisation).

COVID-19 response initiatives boosted demand for apprenticeships

6. In April 2021 the industry training sector had experienced an overall increase in enrolments of 10,610 (12.7 percent) to 94,030 learners, when compared to the same period in 2020. This shift followed the introduction of COVID-19 response initiatives:
 - a. TTAF, which supports learners to undertake vocational education without fees. TTAF covers fees for learners from 1 July 2020 to 31 December 2022 for all apprenticeships and a range of training programmes at sub-degree level; and
 - b. ABI, which pays employers to retain and take on apprentices as the economy recovers from the impacts of COVID-19. The ABI is available to employers from August 2020 to August 2022. During the COVID-19 restrictions period, other initiatives offered wage subsidies, such as Mana in Mahi, and the COVID-19 Wage Subsidy.³
7. In line with the trend seen across the sector, BCITO has experienced a significant increase in enrolments. Analysis comparing enrolment data from May 2020 and May 2021 indicates BCITO currently has 21,605 learners, which is an increase of 8,320 learners (1,635 STMs). This is made up of an increase of 7,170 learners (1,410 STMs) for apprenticeships and 1,175 learners (220 STMs) for traineeships.⁴
8. Across its whole provision the number of learners increased 62.6 percent and STMs increased 54.5 percent by the end of May 2021, when compared to the same period in 2020.
9. The significant growth in the number of apprentices and trainees enrolling with BCITO, since the introduction of the TTAF and ABI, has put pressure on BCITO to recruit new staff in order to provide the necessary support to ensure apprentices are successful.

BCITO was under pressure in March 2021 with rapidly growing apprentice numbers

10. BCITO wrote to you in March 2021 and advised that “the Apprenticeship Boost programme, combined with the absence of immigration, TTAF, the construction boom and overheated residential housing, has effectively led to a situation where it’s very challenging to keep pace with the influx of apprentices”.
11. Further, they noted that “because our people are at capacity, we’re conscious of not publicly encouraging a further inflow of apprentices. We’re bringing a range of strategies to bear to increase our capacity and capability swiftly, however we’re growing four times faster than last year, which itself was three times faster than the year before”.
12. TEC holds regular engagement meetings with BCITO. At our March 2021 engagement meeting BCITO reported that they were signing up 300-400 new people per week. This rapid growth was putting pressure on the staff responsible for supporting apprentices and trainees, and financial pressure on BCITO. BCITO had submitted a request for additional funding to TEC primarily in order to increase support mechanisms for trainees and apprentices.

³ B-21-00300 Tertiary Education Report: April 2021 Enrolment Update.

⁴ Data is as at 1 June 2021. Please note:

All learner counts and STM values have been rounded to the nearest 5. Due to rounding the totals may not add up exactly to the underlying values and percentage values may be different from the unrounded values. Learners can be double counted because they can have been enrolled as both an apprentice and a trainee within the year. Therefore, the learner numbers in each programme type may not equal the totals.

New apprentice and trainee sign-ups remain high but growth has now levelled off

13. At our May 2021 engagement meeting BCITO reported that new sign-ups remain stable at approximately 300 per week. The introduction of TTAF continues to be the main reason for the high level of new sign-ups. Of particular interest, BCITO reported that not all of the new sign-ups are people new to the construction and infrastructure industry, as many employers are now upskilling existing staff due to TTAF.

Additional funding totalling \$16 million has been approved in 2021

14. BCITO requested additional funding of \$25 million in February 2021. Due to limited ITF funding being available at the time, TEC was only able to fund the request in-part and approved funding of \$6.8 million.

15. In April 2021, BCITO was approved for a further additional \$9.2 million of ITF funding. Additional funding approved to date in 2021 totals \$16 million.

16. The expectation is that the current level of demand will remain consistent for some time due to a number of factors, including:

- ongoing construction industry growth and demand for skilled employees;
- COVID-19 related travel restrictions resulting in people who may have otherwise travelled or migrated overseas enrolling in tertiary study instead;
- Government Vocational Education and Training (VET) initiatives which promote and support VET with learners and employers; and
- COVID-19 recovery initiatives which will continue through until 2022.

17. At this point BCITO has not made any further requests for additional funding. TEC continues to work with BCITO and monitor the situation with regard to demand and related cost pressures for BCITO.

BCITO's arranging training functions shift to Te Pūkenga in October

18. BCITO has indicated that it wishes to transition its arranging training functions to Te Pūkenga on 4 October 2021, and has submitted its transition plan to TEC. TEC is working with BCITO to finalise the content and intentions within this plan. The plan is due to be endorsed by the RoVE Programme Board in early August and to be considered by the TEC Board at its 19 August meeting. BCITO has agreed a term sheet with Te Pūkenga.

19. As BCITO are in a period of significant growth it is difficult to estimate with certainty the actual number of trainees and apprentices that will transfer to Te Pūkenga in October. As noted in paragraph 7 above it is likely to be approximately 22,000 learners. At the point the Transition plan was submitted to TEC, BCITO had 11,337 apprentices and 658 trainees.

20. BCITO has yet to provide detail regarding organisational structure and how this will be impacted by the transition to Te Pūkenga or the growth in apprentice and trainee numbers. We understand that BCITO is currently consulting on this matter and we do not expect further detail on this until late July.

21. We have yet to receive a Receiving Plan from Te Pūkenga and therefore cannot comment on their readiness, other than to say that as this is a 'lift and shift' transition it should be relatively seamless. Te Pūkenga should receive all of the BCITO staff and supporting assets to enable them to carry out the necessary functions moving forward.



Panny Litras

Acting Manager, Delivery & Projects, Delivery
Directorate

Tertiary Education Commission

30 June 2021



Hon Chris Hipkins

Minister of Education

01 / 07 / 2021

Appendix: Biographies of key attendees



Toby Beaglehole – Chief Executive, BCITO

Toby Beaglehole was appointed Chief Executive in December 2020. He is an experienced leader with a range of senior management roles, including Chief Executive of Connexis between 2018 and 2020, and Chief Executive of New Zealand Oil Services Limited. He has held senior positions at New Zealand Post, Babcock and Brown Infrastructure, Meridian Energy and Ernst and Young.

Toby is Treasurer and a Steering Group member at the Business Leaders' Health & Safety Forum, whose three key areas are: (Leadership) Building the health and safety leadership competence of CEOs; (Influence) Supporting CEOs to influence and enable their workforces and supply chains; (Connections) Connecting CEOs so they can take more effective action.