



Tertiary Education Report: Recognition of Primary Industry Training Organisation as an industry training organisation

Date:	30 May 2019	TEC priority:	High
Security level:	In Confidence	Report no:	B-19-00701
		Minister's office No:	

ACTION SOUGHT		
	Action sought	Deadline
Hon Chris Hipkins Minister of Education	<p>approve the recognition of Primary Industry Training Organisation Incorporated (Primary ITO) for the specified industries for a period of five years from 22 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 Primary ITO Board, notifying him of your decision.</p>	14 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

- 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

TERTIARY EDUCATION REPORT: RECOGNITION OF PRIMARY INDUSTRY ORGANISATION INCORPORATED AS AN INDUSTRY TRAINING ORGANISATION

Seen

Overtaken by Events

See Minister's Notes

Withdrawn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 Primary Industry Training Organisation Incorporated (Primary ITO) satisfies the requirements for recognition under section 5 and 7 of the Act;
3. **approve** the recognition of Primary ITO as an ITO for the specified industries for a period of five years from 22 June 2019;

AGREED / NOT AGREED

4. **note** if approved we will publish a notice in the *New Zealand Gazette* giving effect to your decision (Appendix B);
5. **sign** and send the attached letter to Mark Darrow, Chair of the Primary ITO Board, notifying him of your decision (Appendix C); and
6. **agree** that the TEC release this briefing in full.



Gillian Dudgeon

Deputy Chief Executive, Delivery
Tertiary Education Commission

30 May 2019

Hon Chris Hipkins

Minister of Education

___ / ___ / ___

Purpose

1. We recommend that Primary ITO be recognised as an ITO for the specified industries. 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. 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 ITO's recognition but only under certain circumstances.
6. 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.
7. A full assessment of Primary ITO against section 5 and 7 of the Act is provided in Appendix A.

We have assessed Primary ITO's application for recognition

8. Primary ITO has applied for recognition as its recognition period expires on 21 June 2019. It is seeking recognition to set standards at Levels 1 to 7 on the New Zealand Qualifications Framework for the agriculture, animal care and handling, animal products inspection, baking yeasts manufacturing, dairy processing and manufacturing, equine (including racing), fellmongering, floristry, greyhound racing, horticulture, irrigation and hydrology, leather manufacturing, meat processing and manufacturing (excluding poultry), petrochemical, energy and chemical plant, rural servicing, seafood, and sports turf industries.
9. Primary ITO is the third largest ITO in New Zealand with 2019 TEC funding of \$22.5 million for 6,136 standard training measures (STMs) of which 23 percent are apprenticeships. It covers all of the primary industries with the exception of the forestry sector which is covered by the ITO Competenz.

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 current or ongoing issues with the quality assurance of Primary ITO’s units, consent and moderation requirements, and programmes or qualification applications.

13. NZQA published Primary ITO’s EER in December 2016 and its next EER is scheduled for July 2020. Primary ITO was assessed as confident in ITO performance and confident in capability in self-assessment. This EER risk assessment means Primary ITO is a Category 2.

14. In the EER report, NZQA noted that Primary ITO’s understanding of the needs of government and its industries’ learners is the stand-out feature of this organisation and that the ITO is providing excellent value for employers and their trainees.

Educational performance

15. Primary ITO’s overall educational performance has been satisfactory over the last few years. It exceeded the ITO subsector average in programme completion in 2016 and 2017 and remained on par in 2018 .(Table 1).

Table 1: Educational performance indicators for Primary ITO¹

	Credit achievement			Programme completion		
	2016	2017	2018	2016	2017	2018
Primary ITO - All learners	73%	68%	64%	63%	70%	65%
ITO sub-sector	82%	79%	76%	59%	68%	67%
Primary ITO						
Māori	72%	64%	63%	63%	68%	58%
Pacific Peoples	103%	101%	67%	80%	84%	86%
Non-Māori/non-Pacific Peoples	70%	64%	64%	62%	68%	62%
Apprentices	68%	58%	60%	37%	37%	26%

16. Apprenticeships were 33 percent of Primary ITO’s funded delivery in 2018. Credit achievement and programme completion for apprenticeships in 2018 is low compared to the sector average

¹ The data is as at 14 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 (8105 – Primary Training Organisation Incorporated), 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.

for apprenticeships of 84 percent and 42 percent respectively. Primary ITO is working with the sector to ensure that apprenticeship programmes meet the sector needs.

17. Primary ITO has good parity outcomes for Māori and Pacific peoples.

Financial performance

18. Primary ITO is considered low risk on the ITO Financial Monitoring Framework. Primary ITO has maintained strong profitability and cash reserves in recent years, despite declining trainee numbers. There are currently no TEC investigations underway relating to Primary ITO.

The required level of financial contribution from industry is 30 percent for industry training and 20 percent for New Zealand Apprenticeships.

In 2017, Primary ITO's Industry Cash Contribution (the latest available) was s9(2)(b)(ii). This is lower than expected, given the Primary ITO mix of industry trainees and apprentices; however, it is an improvement compared to earlier years (see Table 2 below). We will continue to engage with them over this.

Table 2: Industry cash contribution rates for Primary ITO

	2015	2016	2017
Primary ITO	s9(2)(b)(ii)		

Industry support

19. Primary ITO has provided letters of support for recognition from 30 employers and industry stakeholders.

Overall performance

20. As well as assessing the recognition application from the ITO, we draw on our own performance information about the ITO. 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.

21. We are satisfied with Primary ITO's financial and educational performance during its current and prior recognition periods.

Conclusion

We recommend Primary ITO be recognised

22. Based on the analysis set out above (and in further detail in Appendix A), and in consultation with NZQA, we recommend you approve a five year period of full recognition for Primary ITO, as an ITO from 22 June 2019, for their coverage of the agriculture, animal care and handling, animal products inspection, baking yeasts manufacturing, dairy processing and manufacturing, equine (including racing), fellmongering, floristry, greyhound racing, horticulture, irrigation and hydrology, leather manufacturing, meat processing and manufacturing (excluding poultry), petrochemical, energy and chemical plant, rural servicing, seafood, and sports turf industries.

Communications

23. Primary ITO has been advised of this report's recommendations.

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

25. A letter is attached for you to sign and send to Mark Darrow, Chair of the Primary ITO Board, advising him of the outcome of your decision (Appendix C).

26. TEC will also communicate your decision. 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 Primary ITO 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.

Primary ITO is the third largest ITO and is funded for 6,136 Standard Training Measures (STMs) in 2019. Following its previous recognition, Primary ITO has established five key industry groups: dairy; horticulture; meat and fibre; primary services; seafood and within these are separate sector teams. These were formed due to the challenges faced by the primary industries, for example geographical spread and seasonal employment. The outcome of this structure is to ensure more direct communication for employers, with their National Group Managers and teams.

In 2018, over 6,000 employers had staff in training with Primary ITO.

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

Primary ITO is considered low risk on the ITO Financial Monitoring Framework. It has maintained strong profitability and cash reserves in recent years, despite declining trainee numbers. There are currently no TEC investigations underway relating to Primary ITO.

In 2017, Primary ITO's Industry Cash Contribution (the latest available) was **s9(2)(b)(ii)**. This is lower than expected, given its mix of Industry Trainees and NZ Apprentices; however, it is an improvement compared to earlier years (2016: **s9(2)(b)(ii)**, 2015: **s9(2)(b)(ii)**).

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

There are 14 Industry Partnerships Groups (IPGs) that act as a liaison between Primary ITO and industry. Additionally, the IPGs define the direction for training in the sector. These groups are: Amenity Horticultural Services; Avocado and Kiwifruit; Dairy Farming; Dairy Manufacturing; Equine and Racing; Meat Processing; Nursery Production; Pipfruit (Apples and Pears); Seafood; Sheep, Beef and Deer; Sports Turf; Vegetable and Other Fruits; Viticulture and Wine; Wools. The chairs of the IPGs form the Stakeholder Council that interacts with the ITO Board and senior management team. The Primary ITO Board has seven members at present, who represent different areas of the industries and have a broad range of 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.

Primary ITO monitors industry training demand through a wide range of resources including direct interactions between ITO staff and employers; Infometrics data to analyse labour market trends, workforce projections and skills requirements; and the Ministry of Primary Industries publications. Included with its application was the Primary ITO Workforce Scan 2018 – 2025, which provides a summary of the key business and labour market data for each of its sectors. Primary ITO will be working with individual IPGs to meet the identified needs.

In 2018, Primary ITO's total TEC funding allocation was \$24 million and it under delivered by \$2.1 million, which is a 8.9 percent variance.

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

Primary ITO, with support from its industries, was in the process of completing the Government's Mandatory Review of Qualifications (MRoQ) during the 2014 re-recognition process. The MRoQ resulted in 104 qualifications registered on the NZQF. 21 of these qualifications have undergone consistency reviews by NZQA, the results indicate that the qualifications are successful, with students meeting the intended outcomes. 13 qualification reviews have been completed, 15 are in progress and 34 are scheduled for 2019.

Primary ITO develops and reviews qualifications in consultation with a range of stakeholder and key industry groups, subject matter experts, surveys and feedback from employers/trainees.

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.

Primary ITO has 2,317 Unit Standards, 301 of which are expiring. 1,126 are due or overdue for review (55.8 percent). This figure is at the high end when compared to other ITOs. That aside, NZQA is satisfied that Primary ITO meets all the other relevant NZQA requirements such as programme approvals, consent to assess, moderation requirements and national external moderation systems.

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

Primary ITO has performed its role satisfactorily during the period of its current recognition. Its educational performance is detailed in paragraphs 13-15 and financial performance in paragraph 16 of this briefing. Neither the TEC nor NZQA is aware of any industry concerns that would impact on the agencies' support for full recognition.

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

Primary ITO represents the vast majority of the primary sector with only forestry being covered by another ITO. Its application included 30 letters of support from employers and industry stakeholders. The TEC has not received any complaints from the industries that Primary ITO covers.

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 Primary ITO meets section 5(3)(b) of the Act.

NZQA reports that Primary ITO manages its statutory functions and resources projects for ITO re-recognition, unit standard and qualification development and review, and qualification monitoring.

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 Primary ITO meets section 5(3)(c) of the Act

NZQA published Primary ITO's EER in December 2016. A copy of the report from that review has been published on NZQA's website. The overall assessment of the ITO was Confident in ITO performance and Confident in capability in self-assessment.

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

Notice of Recognition of Primary Industry Training Organisation Incorporated

Pursuant to section 5 of the Industry Training and Apprenticeships Act 1992, Primary Industry Training Organisation Incorporated is recognised as an industry training organisation for the agriculture, animal care and handling, animal products inspection, baking yeasts manufacturing, dairy processing and manufacturing, equine (including racing), fellmongering, floristry, greyhound racing, horticulture, irrigation and hydrology, leather manufacturing, meat processing and manufacturing (excluding poultry), petrochemical, energy and chemical plant, rural servicing, seafood, and sports turf industries.

The recognition takes effect from 22 June 2019.

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

Appendix C: Proposed letter of notification to Primary ITO

Mark Darrow
Chair
Primary Industry Training Organisation
PO Box 10383
Wellington 6143

Dear Mark

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 Primary Industry Training Organisation as an industry training organisation, with effect from 22 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: Linda Sissons, Chief Executive, Primary Industry Training Organisation
Enc. (copy of Gazette Notice)

Notice of Recognition of Primary Industry Training Organisation Incorporated

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Hon Chris Hipkins, Minister of Education.