

Tertiary Education Report: **Amend protective coatings industry descriptions for Competenz Trust and MITO New Zealand Incorporated**

Date:	7 September 2018	TEC priority:	Medium
Security level:	In Confidence	Report no:	B/18/00416
		Minister's office No:	

ACTION SOUGHT		
	Action sought	Deadline
Hon Chris Hipkins Minister of Education	<p>Recognise the Competenz Trust as the ITO with coverage for the protective coatings industry – including abrasive blasting, and blasting coating operations;</p> <p>Agree to publish notices in the New Zealand Gazette reflecting your decision (Appendix B); and</p> <p>Sign and send letters to the chairs of Competenz Trust and MITO New Zealand Incorporated, notifying them of your decision (Appendix C).</p>	28 September 2018
Enclosure: No	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)	✓
s9(2)(a)	Acting Manager, ITO Investment	s9(2)(a)	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: Approved Declined
 Noted Needs change
 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 See Minister's Notes Withdrawn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 section 5 of 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, pursuant to section 5(5)(a) of the Act and at the request of an ITO, you have the statutory authority to approve an amendment to the description of the specified industries for which an ITO is recognised;
3. **note** that ITOs Competenz Trust (Competenz) and MITO New Zealand Incorporated (MITO) are seeking the transfer of coverage for the protective coatings industry, including abrasive blasting, and blasting coating operations from MITO to Competenz;
4. **note** that we, in consultation with the New Zealand Qualifications Authority (NZQA), consider Competenz will fulfil all legislative requirements and warrants recognition as the ITO for the protective coatings industry;
5. **approve**, pursuant to section 5 of the Act, the recognition of Competenz as the ITO for the protective coatings industry, including abrasive blasting, and blasting coating operations;

APPROVED / NOT APPROVED

6. **approve**, pursuant to section 5(5)(a) of the Act, an amendment to the notice describing Competenz's specified industries to include the protective coatings industry – including abrasive blasting, and blasting coating operations;

APPROVED / NOT APPROVED

7. **approve**, pursuant to section 5(5)(a) of the Act, an amendment to the notice describing MITO's specified industries to remove the protective coatings industry – including abrasive blasting, and blasting coating operations;

APPROVED / NOT APPROVED

8. **note** the TEC will publish notices in the New Zealand Gazette reflecting your decision (Appendix B);
9. **sign and send** the attached letters and Gazette notices to Mike Simm, Chair of Competenz, and Andrew Clearwater, Chair of MITO, notifying them of your decision (Appendix C); and
10. **agree** that the TEC release this briefing in part once it has been considered by you, with educational performance information for 2017 redacted as this will be publicly available shortly along with all other ITO performance.

Gillian Dudgeon

Deputy Chief Executive, Delivery

7 September 2018

Hon Chris Hipkins

Minister of Education

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This briefing seeks to transfer coverage of the protective coatings industry

1. We recommend you recognise Competenz as the ITO for the protective coatings industry – including abrasive blasting, and blasting coating operations (protective coatings). We have consulted with NZQA and it supports the amendments.
2. The recognition involves transferring coverage for the protective coatings industry from MITO to Competenz. The change is supported by industry, and agreed to by the two ITOs.

MITO is seeking to divest coverage of the protective coatings industry

3. MITO has had coverage for protective coatings since its merger with the Extractives ITO in December 2012. Protective coatings extend the life of steelwork and other metal surfaces after engineering fabrication.
4. Competenz has coverage for engineering fabrication, including heavy and light fabrication, and steel construction.
5. MITO and Competenz propose the transfer of protective coatings coverage to Competenz. This will align the protective coatings industry with the rest of the engineering industry and allow for a cohesive career and educational pathway. Trainees and their employers will then be managed by a single ITO: Competenz.
6. Both ITOs propose the standard setting responsibility for standards in the Industrial Coatings subfield held by MITO also be transferred to Competenz. Competenz will manage the development of future qualifications required by the industry.
7. The application for this transfer of coverage was made by Competenz and MITO by letter to TEC on 29 May 2018. It was accompanied by letters of support from employers and protective coatings industry representatives. All other ITOs have expressed support of the proposed amendments.
8. MITO's recognition for its industries expires on 20 October 2018. Following discussions with both ITOs we agreed to process this request separately to MITO's recognition for the automotive and extractives sector.
9. MITO currently has four continuing learners enrolled in the programme leading to the National Certificate in Blaster Coating (Level 2). MITO will work with these learners and their employers to complete the qualifications. The last date for assessment is the end of 2018.
10. We do not expect that the divestment of this industry will impact negatively on MITO's delivery or performance.

Competenz is a diverse ITO and was last recognised in January 2016

11. Competenz was last recognised as an ITO in January 2016 following advice from TEC and NZQA.¹ It will be due for recognition again in January 2021.
12. Competenz is one of the most diverse 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.

¹ B/15/00097 Recognition of Competenz Trust as an Industry Training Organisation

13. Competenz has been approved 2018 funding of \$22.081 million for 5,374 standard training measures, of which 45 percent is for apprenticeships and 55 percent for industry training. The last four years of funding and learner numbers are summarised in table 1.

Table 1: Funding and learner numbers 2014-17

	2015	2016	2017	2018 (Allocated)
Funded delivery	\$23.8M	\$25.1M	\$22.2M	\$22.1M
Total trainees and apprentices	18,700	19,500	17,600	14,900

14. Competenz's educational performance has improved over the last few years with 2017 rates above the ITO sector average. These rates are shown in table 2 below.

Table 2: Educational performance 2014-17

	Credit Achievement				Cohort-Based Programme Completion ²		Previous Programme Completion		
	2014	2015	2016	2017*	2016	2017*	2014	2015	2016
Competenz	71%	70%	75%	79%	59%	71%	67%	69%	72%
ITO sector	76%	80%	80%	78%	62%	69%	72%	75%	77%

*2017 results are yet to be published.

15. NZQA published Competenz's External Evaluation and Review (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 organisation. Competenz is due for its next EER later this year.

Competenz was subject to an external investigation in 2017

16. In mid-2017, Competenz discovered a large number of ineligible trainees were enrolled in TEC-funded programmes. This was the result of Competenz's internal processes to establish eligibility not being followed correctly.
17. Competenz, in collaboration with us, engaged Grant Thornton to undertake a review of its trainee enrolment and eligibility assessment processes. The review found that Competenz received funding totalling \$56,080 for ineligible trainees in 2015 and 2016. Competenz has since repaid this amount.
18. Grant Thornton's wider review of eight of Competenz's largest clients identified mainly minor administrative matters, which are being addressed.

We recommend you recognise Competenz for industry coverage of protective coatings

19. We and NZQA have confidence in the capability of Competenz to meet its statutory obligations for the protective coatings industry. We recommend you approve the recognition of Competenz as the ITO for this industry and agree to amendments to the Gazette notices for Competenz and MITO.
20. Our full assessment against sections 5 and 7 of the Act is set out in Appendix A.

² The cohort-based programme completion was introduced in 2016. The previous programme completion measure is included for context only.

If approved, we will publish the notices and ask that you sign and send the two letters

21. Competenz and MITO have been advised of this report's recommendations.
22. If you approve the recommendations, we will publish notices in the New Zealand Gazette (Appendix B).
23. Two letters are attached for you to sign and send to the chairs of Competenz and MITO, notifying them of your decision (Appendix C).

Appendix A: Assessment against sections 5 and 7 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) requires that the Minister take into account the matters set out in section 7.

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

Competenz is seeking extended coverage to include the protective coatings sector – including abrasive blasting, and blasting coating operations.

Competenz has 2018 funding of \$22.081 million for 5374 Standard Training Measures (STMs), of which 45% is for apprenticeships and 55% for industry training.

The application for this transfer of coverage to Competenz has been accompanied by letters of support from employers and industry representative groups from the protective coatings industry.

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

The industry cash contribution to Competenz in 2015 was 30.7% (\$10.6 million) of government and industry revenue and in 2016 was 25.3% (\$8.370 million). The TEC considers Competenz will continue to be adequately supported by its industries.

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

Following mergers, Competenz has undertaken a restructure to ensure it meets the needs of an expanded group of employers, employees and industries.

Board representation has been amended to ensure adequate employer representation.

NZQA has observed that Competenz has effective governance and management systems and processes.

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.

Competenz has a number of mechanisms to effectively monitor demand. An online industry profiling tool, developed by Infometrics, is used to monitor trends in employment and training and inform future needs. Data is sourced from Statistics NZ, and the Ministry of Business, Innovation and Employment, as well as Inland Revenue.

Sector Advisory Groups provide advice on the strategic direction and trends within the sectors, and on the skill and knowledge requirements for the sectors.

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

As a larger organisation with a view across diverse sectors, Competenz is well placed to provide a single point of contact for training and to review standards, qualifications and resources for employers. This extension of coverage will align the protective coatings industry with the rest of the engineering industry, and provide a cohesive career and

educational pathway. This will lead to a growth in the number of trainees for the protective coatings sector.

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.

The most recent EER for Competenz was published on 17 September 2014. The EER noted Competenz met all relevant programme approval, moderation and assessment requirements. NZQA supports this transfer of coverage and will support the transfer of standard setting to Competenz following approval of coverage extension.

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

Competenz's educational performance has improved over the last few years with 2017 rates above the ITO sector average.

In the latest EER, Competenz was awarded a rating of 'Confident' for its performance and 'Highly Confident' for its capability in self-assessment. NZQA stated the training arranged by Competenz is generally effective and meets the needs of employers, and learners are gaining qualifications that generally reflect the skill needs of their respective industries.

In 2017, Competenz was the subject of an investigation following a self-declaration of ineligible trainees being enrolled in funded training. The outcome was a recovery of \$51,455 for 2016.

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

This transfer of coverage will align the protective coatings industry with the rest of the engineering industry and allow for a cohesive career and educational pathway. Trainees and their employers will then be managed by a single ITO: Competenz.

TEC and NZQA (where relevant) are satisfied that Competenz will meet the requirements of section 5(3)(a) of the Act.

Section 5(3)(b) requires that the Minister 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:

- **develop and maintain skill standards, and**
- **arrange the delivery of training for trainees to meet those standards.**

Competenz has over 3,300 skills standards listed on the Directory of Assessment Standards and 128 qualifications on the New Zealand Qualifications Framework. It has been actively engaged in the targeted review of qualifications and facilitated stakeholder engagement in those processes.

Competenz led 33 targeted reviews and participated in a further 11. Merger activity has resulted in Competenz taking on the lead role for reviews that were previously led by other ITOs.

Training arranged by Competenz is a mix of on- and off-job training designed to ensure learners develop skills and knowledge for its industries. Competenz is also incorporating eLearning resources to supplement traditional resources. The skills and experience of learners are also identified to help in preparing individualised training plans. NZQA has rated Competenz's performance and capability for self-assessment in this area as 'Good'.

In addition, the assessment process and the resources used to support assessment are regarded as valid and reliable. A moderation process is also used to ensure consistency of approach by assessors.

TEC and NZQA are satisfied that Competenz will meet the requirements of section 5(3)(b) of the Act.

Section 5(3)(c) requires that the Minister 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.

NZQA undertook an EER of Competenz in August 2014. Overall, Competenz was assessed as 'Confident' in performance and 'Highly Confident' for capability in self-assessment.

Particular areas of focus during the EER and the respective assessment ratings included:

- governance and management (assessed as 'Excellent' for ITO performance and 'Excellent' for capability in self-assessment); and
- mergers (assessed as 'Excellent' for ITO performance and 'Good' for capability in self-assessment).

TEC and NZQA are satisfied that Competenz will meet the requirements of section 5(3)(c) of the Act.

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

Notice of Change to Specified Industries for the Competenz Trust

Pursuant to section 5 of the Industry Training and Apprenticeships Act 1992, the notice dated 10 December 2015 and published in the [New Zealand Gazette, 17 December 2015, Issue No. 141, Notice No. 2015-au7362](#) that specifies the industries for which Competenz Trust is recognised as an industry training organisation is amended by adding “protective coating industry – including abrasive blasting, and blasting coating operations”.

This notice takes effect from [insert].

Dated at Wellington this [insert] day of [insert] 2018

Hon CHRIS HIPKINS, Minister of Education

Notice of Change to Specified Industries for MITO New Zealand Incorporated

Pursuant to section 5 of the Industry Training and Apprenticeships Act 1992, the notice dated 10 October 2013 and published in the [New Zealand Gazette, 24 October 2013, Issue No. 144, Notice No. 2013-au6769](#) that specifies the industries for which MITO New Zealand Incorporated is recognised as an industry training organisation is amended by deleting “protective coating industry – including abrasive blasting, and blasting coating operations”.

This notice takes effect from [insert].

Dated at Wellington this [insert] day of [insert] 2018

Hon CHRIS HIPKINS, Minister of Education

Appendix C: Proposed letters of notification to Competenz and MITO

Mike Simm
Chair
Competenz Trust
PO Box 9005
AUCKLAND 1149

Dear Mike

I am writing to confirm that, pursuant to section 5(5)(a) of the Industry Training and Apprenticeships Act 1992, I have approved your request to recognise Competenz Trust as the industry training organisation for the protective coating industry – including abrasive blasting, and blasting coating operations.

A copy of the notice to be published in the New Zealand Gazette to amend Competenz Trust's industries 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.

Thank you for your efforts in industry training to date. I wish you all the best for continued success in the future.

Yours sincerely

Hon Chris Hipkins
Minister of Education

Cc: Fiona Kingsford, Chief Executive, Competenz Trust

Encl.

Notice for publication in the New Zealand Gazette

Notice of Change to Specified Industries for the Competenz Trust

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This notice takes effect from [insert].

Dated at Wellington this [insert] day of [insert] 2018

Hon CHRIS HIPKINS, Minister of Education

Andrew Clearwater
Chair
MITO New Zealand Incorporated
PO Box 10 803
WELLINGTON 6143

Dear Andrew

I am writing to confirm that, pursuant to section 5(5)(a) of the Industry Training and Apprenticeships Act 1992, I have approved your request to amend the notice describing MITO New Zealand Incorporated's industries by removing the protective coating industry – including abrasive blasting, and blasting coating operations.

A copy of the notice to 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.

Thank you for your efforts in industry training to date. I wish you all the best for continued success in the future.

Yours sincerely

Hon Chris Hipkins
Minister of Education

Cc: Janet Lane, Chief Executive, MITO New Zealand Incorporated

Encl.

Notice of Change to Specified Industries for MITO New Zealand Incorporated

Pursuant to section 5 of the Industry Training and Apprenticeships Act 1992, the notice dated 10 October 2013 and published in the [New Zealand Gazette, 24 October 2013, Issue No. 144, Notice No. 2013-au6769](#) that specifies the industries for which MITO New Zealand Incorporated is recognised as an industry training organisation is amended by deleting the “protective coating industry – including abrasive blasting, and blasting coating operations”.

This notice takes effect from [insert].

Dated at Wellington this [insert] day of [insert] 2018

Hon CHRIS HIPKINS, Minister of Education