



2019 BCITO ANNUAL REPORT

BUILT ON STRONG RELATIONSHIPS

BCITO
buildingpeople

MA TE WHAKAPAKARI A TĀTOU WHANAUNGATANGA

BUILT ON STRONG RELATIONSHIPS

**WE BUILD THE PEOPLE
WHO WILL BE THE BACKBONE
OF NEW ZEALAND.**

**WE ENSURE THE CONSTRUCTION
INDUSTRY HAS THE RIGHT PEOPLE
WITH THE RIGHT SKILLS
IN THE RIGHT PLACE
AT THE RIGHT TIME.**

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OUR TRAINING COMMUNITY

Every day, thousands of people come to construction sites across New Zealand to learn. Their determination to succeed on the tools comes at a time of unrelenting demand and tremendous opportunity. Well-trained people, with the right attitudes, skills and discipline, are the key to New Zealand delivering the homes, infrastructure and buildings on which the whole country depends.

Again this year, we attracted more learners than ever to the sector. But we didn't do it alone. From school principals to employers, trainees to parents, we worked with others to convince those looking for a career and those looking to increase or diversify their skills, that the many disciplines of the building and construction sector offer exciting potential.

People learn in so many different ways. BCITO is more than just an ITO, it builds communities of people with skills, and its culture makes delivery adaptable to suit every learning style. Our report reflects the achievements of a community we are proud to be part of, one made up of tens of thousands of New Zealanders that stretches from our schools to digital channels to programmes for different demographic and ethnic groups to the employers who generously share their knowledge and experience.

For those who don't thrive in the classroom, training in the workplace will always be an option. We ask the government to remember this as it plans the next era of vocational education in New Zealand.



250,000,000 }

OPPORTUNITIES FOR
KIWIS TO HAVE SEEN
BCITO ACROSS ALL
MEDIA CHANNELS

240,000 }

BCATS CREDITS
GAINED IN 2019

13,000 }

APPRENTICES
ACTIVELY TRAINING
MILESTONE

8,488 }

MYBCITO
REGISTRATIONS
ACROSS ROOKIES,
STARTERS AND
TEACHERS

+500 }

RECRUITMENT
CAMPAIGN INCREASE
IN LEADS

300 }

BCITO STAFF

64% }

SHARE OF ITO VOICE IN
NATIONAL MEDIA

31% }

INCREASE IN GATEWAY
STUDENTS

HIGHLIGHTS OF THE YEAR

STRONGER TOGETHER

CHAIRMAN'S REPORT

Continued buoyancy in the construction sector generated an increasing demand for our services this year, at the same time as we continued to grapple with the potential uncertainty brought about by the Reform of Vocational Education (RoVE) announcements.

Despite the additional workload servicing RoVE, and an ongoing rumour mill around what it will mean and where it will lead, management and staff have completed another highly successful year. Employer and learner numbers are both up, staff engagement has increased, we've continued to improve diversity in the construction industry, we launched a successful and internationally-recognised TV advertising campaign, and our balance sheet has continued to strengthen.

Our results this year demonstrate the backbone within BCITO as our team has diligently sought to maintain growth in numbers and business standards. These strategies were critical to avoid a potential downward spiral in public confidence, cited as the most significant risk to our industry in our RoVE response to the Minister.

I can't say enough about the outstanding achievements of Warwick Quinn, BCITO Chief Executive, his Executive Leadership Team, Regional and Area Managers, and all our staff during the last twelve months. Without the enthusiasm, determination and dedication of our teams, we would surely not have been able to grow our training numbers.

Of particular note was the rise in employee engagement, despite all that has happened, directly reflecting the confidence which our people have developed within the organisation's transparent management style. On behalf of the BCITO board of directors, my thanks to all BCITO staff for sticking to the business as usual mantle in such unusual times.

A STRONG PERFORMER

We completed 2019 with around 6,600 active employers (representing a 6% increase), having reached a milestone of 13,000 apprentices (8% increase), 3.3% of whom were female (25% increase), increased Māori and Pasifika trainee numbers and 2,900 completions (10% increase). All these achievements point to BCITO being one of the best ITOs, especially in terms of performance.

A VERY BUSY YEAR FOR THE BOARD

The year has seen a significant uplift in workload, with board meetings at one stage held almost weekly. With so much activity in the sector at present, it is comforting to know that we have such an experienced, knowledgeable and diverse Board to oversee the interests of BCITO.



+6%
ACTIVE EMPLOYERS

+25%
FEMALE APPRENTICES

+8%
TOTAL APPRENTICES

+10%
COMPLETIONS

This year we bade a fond farewell to former Chair Kevin Sceats who retired after 13 years of service, and we welcomed Victoria Troake in his place, using the Board's option to co-opt for the first time, to provide an overlap for training and mentoring purposes. Sadly we lost the services of Ron Angel, our employee representative from Etu, who took up a position outside the sector. However, I am pleased to say we have found a very able replacement in Rachel MacIntosh. I would also like to acknowledge all of the Board members for their contributions this year, especially my deputy and Scholarship Committee Chair Dave Fabish, and the Audit and Risk and Digital Engagement Strategy Committee Chairs, Rob Gaimster and Grant Florence, respectively.

A CLEARER PICTURE IS EMERGING

Clearly, given the RoVE implementation, we have had to realign some of our strategic targets and begin to adjust our thinking to that of the transition process. Our thanks go to our association members who gave us the mandate to represent them in discussions around how the new environment may look. With the Board of the new New Zealand Institute of Skills and Technology (NZIST) now operational, and the Government's recent confirmation of coverage for the new Workforce Development Councils (WDCs), the picture is becoming clearer.

We have signed a heads of agreement with Connexis, our infrastructure equivalent, to work together to unite the industry behind a common approach to WDC formation. We arranged a meeting with many of the construction industry's most influential parties (both vertical and horizontal) in November to create a Construction and Infrastructure WDC Establishment Strategy. Development of a plan of action is now underway for wider consultation in the first half of 2020.

While we have spent much of 2019 preparing for the establishment of the WDCs and to a lesser extent the set-up of NZIST, the focus of 2020 will likely be on how we transition from an ITO structure into these new entities. This won't be easy. On the one hand, BCITO is an industry leader and must stand up and be counted in the establishment processes; on the other, we want to avoid any perception of controlling the process(es) or living on under another name.

A HEALTHY OPERATING SURPLUS

From a financial standpoint, we have once again returned a small operating surplus, slightly ahead of budget. This surplus is after expenses relating to the Reserve Funds have been accounted for under the practices introduced last year. This has resulted in a corresponding increase to the balance sheet.

OTHER HIGHLIGHTS OF THE YEAR

In a year where we seem to have had eyes on so many different things, there were some absolute highlights.

- The National Advisory Group (NAG) meetings and NAG Chairs' meetings were real coalface stuff and the best opportunity to hear directly from representatives of our employers and learners.
- We had positive meetings with Minister Hipkins, to first discuss our RoVE response, and then again after the formal announcements.
- The introduction of the Scholarship Committee saw industry representatives included in the oversight of our important scholarship funds.
- The various apprentice awards that I have been fortunate enough to attend have highlighted the depth of the talent pool we are fostering.
- Who could forget the fantastic Tricky Chat advertising campaign that first graced our television screens in the first half of 2019, with the follow-up going to air at the time of writing?

THANKS

My commitment as we move on in 2020, and into uncharted territory is that we will constantly be looking for the best opportunities that future changes will allow for our staff, our employers and of course our learners.

My last (but by no means least) acknowledgement this year goes to our association members, NAG committee members, our employers and other stakeholders. Thank you for all your ongoing support of BCITO, our management and the Board.

Mike King
CHAIRMAN




BOARD MEMBERS L / R

CHAIR: **MIKE KING**
VICTORIA TROAKE
RACHEL MACINTOSH
ROB GAIMSTER

DEPUTY CHAIR: **DAVID FABISH**
GRANT FLORENCE
KIEREN MALLON

GETTING ON WITH BUSINESS

CHIEF EXECUTIVE'S REPORT

EXECUTIVE LEADERSHIP TEAM L / R

WARWICK QUINN TANIA SMITH
 GLENN DUNCAN GREG DURKIN
 AMANDA HERRON-QUAN PETER FLETCHER-DOBSON

It has been a year of persistence: of looking past the turbulence and uncertainty of the current environment and getting on with the business of building the best training system we can for the building and construction sector. Another record number of apprentices was one sign of success this year. There were plenty more.

One of the temptations at any time of change is to focus on the change itself, on where it is going, how structures will be reorganised, and how the new approach will be funded. These are all important questions, but our focus has been on containing the impacts for employers, apprentices and other stakeholders, retaining the faith of the sector and developing credentials and qualifications that meet the needs of today's trades.

We continued to grow the numbers of learners, including the number of women joining the sector. We received positive media coverage, particularly around RoVE, with opportunities to air our views and share our experiences. New qualifications, increased engagement both internally and externally, and a robust financial result mean a lot has been achieved.

EMPLOYERS' NEEDS HAVEN'T CHANGED

Tens of thousands of apprentices and trainees will be needed in the sector in the years ahead as the

country moves to deal with both housing growth and an ambitious infrastructure programme. And while the changes to vocational education are unsettling for our people, they do represent a much-needed opportunity of how we can improve trades training in this country.

My view is that the next three years will be critical to getting the trajectory right. However, we cannot wait for a picture-perfect structure, and our actions this year have reflected that. We must carry on and improve, with RoVE taking place in the background; otherwise, we risk losing learners and employers, a development that would put the sector back. I liken it to the cricket analogy, you can't win a 50-over game in the first ten overs, but you can lose it. Similarly, we can't deliver the vision of RoVE in the first three years but we can destroy it. The next three years' transition is key to that.

There are still huge skills shortages. We are continuing to forecast for the numbers needed to settle at well above historical levels. The outcome we're looking for, a resilient and flexible training system for the more than





OUR APPROACH TO VOCATIONAL EDUCATION AND TRAINING IS BASED ON STRONG FACE-TO-FACE RELATIONSHIPS

80,000 new and replacement job openings needed in the medium term is as clear as it is stark. So it's crucial that there is consistency of service during uncertain times and that the transition to the new world is smooth and seamless for our customers.

KEEPING WHAT WE DO WELL ALREADY

As we said in our submission to the government, the establishment of a better and fairer funding system makes sense, as do the opportunities for a more strategic approach to training, potential improvements to off-job/on-job provision and direct benefits for learners.

But a lot of what we are doing right now works well and cannot be lost. Our approach to vocational education and training is based on strong face-to-face relationships and significant contact between BCITO field staff and individual firms and learners. Our model emphasises flexibility: responsive to businesses and learners and meeting the needs of particular sectors within building and construction as a whole.

It's great to see numbers up, and it's uplifting to see the reaction to our new Tricky Chat television commercials. Both developments are signs that New Zealanders are now seeing building and construction as a viable career path. As people commit to apprenticeships and further training, the onus is on us to ensure the outcomes we are getting are maintained and momentum is not lost.

THE ROLE OF COVES

An ongoing challenge for the industry is that the number of firms willing to engage with the vocational education training system remains stubbornly and consistently low. Only 10% of construction businesses train at any one time and many of those are small. We believe one important change that will help address this is the

establishment of Centres of Vocational Excellence (CoVEs). Construction will be among the first of these, and that should mean that education, industry bodies and the sector finally come together to jointly grapple with some of the gnarly issues facing vocational education.

CONTINUING IMPROVEMENTS

This year, we transitioned more learners to a new NZ Certificate. There's a delicate balance here. On the one hand, we need to make sure that those joining us are receiving the most up-to-date training available. At the same time, we must provide resources to those who started on and are still undertaking, National Certificates to ensure people don't lose momentum. We expect that the two qualification systems will run in parallel until at least 2021, with some learners transitioning during that time.

INDUSTRY MUST RETAIN A SIGNIFICANT SAY OVER HOW WE PROVIDE OUR PROGRAMMES

We have continued to review all our qualifications to ensure they're fit for purpose, working alongside industry to reflect what's changing for them. This year, we released refreshed resources for a range of specialities including carpentry, painting and decorating, brick and block laying, tiling, exterior plastering and interior systems.

The successful launch of our first micro-credential last year is another reminder that what we offer must evolve. Shorter, bite-sized learning modules are a way forward as the industry looks to address short term/side skill needs. There will always be a place for fuller qualifications, and we very much respect the time needed to transform novices into experts, still we can also see that streamlined credentials and skill upgrades are an efficient and responsible way to develop the workforce of tomorrow. There is a balance between the reassurance that comes with a full qualification and the pragmatism of finding new ways to upskill people and be relevant to those employers who do not require full qualifications. We're confident we have the mix right. One thing we are sure of is that the industry must retain a significant say over how we provide our programmes. So going forward it's going to be very important that the WDCs work with those in the industry to make sure that the training that is being offered is the right training to get the work done.

We're talking with NZQA about the NZ Qualifications Framework. We have been vocal for some time that it is prejudicial towards trade qualifications and reinforces that they are inferior to similar academic ones. I am pleased that NZQA is reviewing the framework, and the conversations have been constructive. We are hopeful that in 2020 the revised Qualifications Framework will more accurately reflect the relative complexity of many of the trade qualifications programmes and start to address some of the cultural parity of esteem issues that exist between academic and vocational qualifications.

A NEW ERA OF UNITY

Currently, our funding drivers set us up to compete with other ITOs and ITPs and not collaborate. To see a lift in the skills and abilities of our building and construction sector so that those working in the trades can deal with the increasingly complex materials and skills that go into today's structures then we need a new and unified funding model under RoVE. We require a reformed framework with fresh thinking around funding and a more flexible structure around vocational development that puts the learner and employer ahead of legacy thinking. I am, therefore, pleased a new unified funding model is part of the reforms.

OUR PEOPLE HAVE DONE A STERLING JOB OF OPERATING DURING UNCERTAIN TIMES

This year, we increased our customer satisfaction research to include a lot more employers in our Net Promoter Score (NPS). We also began monitoring our NPS every month. Overall, our numbers rose and, post balance date, have continued to do so, but two things have struck me as I reviewed the scores at year-end. The first was the volatility in feeling. Scores rose and fell fairly much in keeping with confidence levels, as people heard things about what was planned. It's a reminder of the sensitivity that employers and learners have around commitment to

a training programme that feels uncertain. My second observation was that our scores, once people had completed their training, were significantly higher than while they were training. The results suggest that although both learners and teachers found on the job training challenging, all were hugely appreciative of the experience afterwards.

If we want to make sure that learners complete their training, business as usual is paramount. Training is hard enough without throwing a dose of uncertainty into the mix. We are determined to ensure all those involved in the upcoming transition are aware of the sensitivities of our learners and employers. Stability is essential and the last thing any of us should be doing is spooking the pool of people we need to attract to secure the sector's future.

CHANGES TO OUR FINANCIAL APPROACH

We ended 2019 in a strong financial position and above budget. However, RoVE was not without its effect. We incurred unbudgeted expenditure which included stopping the development of our learning management system. Significant capital investment is difficult to justify with the pending changes, so we are rethinking how we can continue to move forward. We incurred other costs responding to the RoVE announcement and had slightly higher staff turnover (though well below the norm for an organisation of our size). Our strong result this year is testament to how hard our people have worked to grow our training community.

WE END THE YEAR IN GOOD SPIRITS

Our people have done a sterling job of operating during uncertain times. They have focused their responsibilities on our employers and learners, to keep things as stable as possible and our service unaffected. My hat goes off to each and every one of them.

Our goal for the year ahead is to give it heaps and continue to increase the numbers of active trainees and apprentices. We also need to encourage more rookies (school students) and starters (those looking for work and an apprenticeship post-school) to sign up to myBCITO, develop innovative ways to improve what we do and continue to advocate for the best outcomes for our industry.

On behalf of the Executive Leadership Team, our thanks again go to our hard-working Board for their crucial facilitation role throughout the year, to our people for their commitment to improving service and delivery, and to our employers, apprentices and influencers who have worked with us to keep everything moving in the direction it should. If we continue to be mindful of each other's needs and do right by each other to the very best of our abilities, that can only be a good thing.

Thank you.

Warwick Quinn
CHIEF EXECUTIVE



UNDERSTANDING THE REFORM OF VOCATIONAL EDUCATION

RoVE stands for the Reform of Vocational Education (RoVE). The government announced RoVE in early 2019, and it establishes:

- › THE NEW ZEALAND INSTITUTE OF SKILLS AND TECHNOLOGY
- › WORKFORCE DEVELOPMENT COUNCILS
- › REGIONAL SKILLS LEADERSHIP GROUPS
- › TE TAUMATA ARONUI
- › CENTRES OF VOCATIONAL EXCELLENCE

In a nutshell, RoVE disestablishes the 11 Industry Training Organisations (ITOs). They will be replaced by (a) a new centralised delivery agency, the New Zealand Institute of Skills and Technology (NZIST) which is a merger of the 16 Institutes of Technology and Polytechnics responsible for all classroom, digital and on-job vocational learning, and (b) Workforce Development Councils (WDCs) responsible for the development of qualifications, standard-setting, skills leadership, brokerage and industry advocacy.

The government has also decided there will be six WDCs of which a Construction and Infrastructure WDC (CIWDC) will be one. Under current arrangements, construction and infrastructure activities span at least four ITOs and as WDCs will be industry-led the formation of a single CIWDC will be complicated. The WDCs will ensure providers deliver what the sector wants. They will control the broader training ecosystem and co-ordinate all the moving parts to ensure the learning system is fit for purpose.

Regional Skills Leadership Groups will provide advice about the skill needs of their region to the Tertiary Education Commission, WDCs and vocational education providers.

Te Taumata Aronui reflects the Government's commitment to the Māori-Crown partnerships by prioritising Māori learners across the vocational education system and recognising that Māori are significant employers with social and economic goals.

Centres of Vocational Excellence (CoVEs) will drive innovation and excellence in teaching and learning and improve links to industry and communities. A construction and infrastructure CoVE is one of the first announced, and we are involved in a consortium looking to set one up.

DETERMINED TO ENGAGE

We've made a conscious effort this year to build a spirit of collaboration, celebrate success within the business and make sure that our communications were open and our leadership available. We introduced a new internal communications strategy to ensure that everyone received the latest news and updates in the same way. Our Chief Executive also embarked on a roadshow to answer people's questions and talk to them about what is happening.

As a result, belief in our most senior leaders has firmed. The upcoming changes have brought people together, and our initiatives which talk clearly and openly about the situation as we see it has given teams a renewed sense of energy and lifted the visibility around both what we have done and what still needs doing. The feedback has been that this has steadied people's nerves and motivated everyone to push forward together.

We've continued to grow. Despite the increase in people leaving the organisation, overall staff numbers increased by around 4%, mostly in the field team as we geared up to support our growing learner numbers.

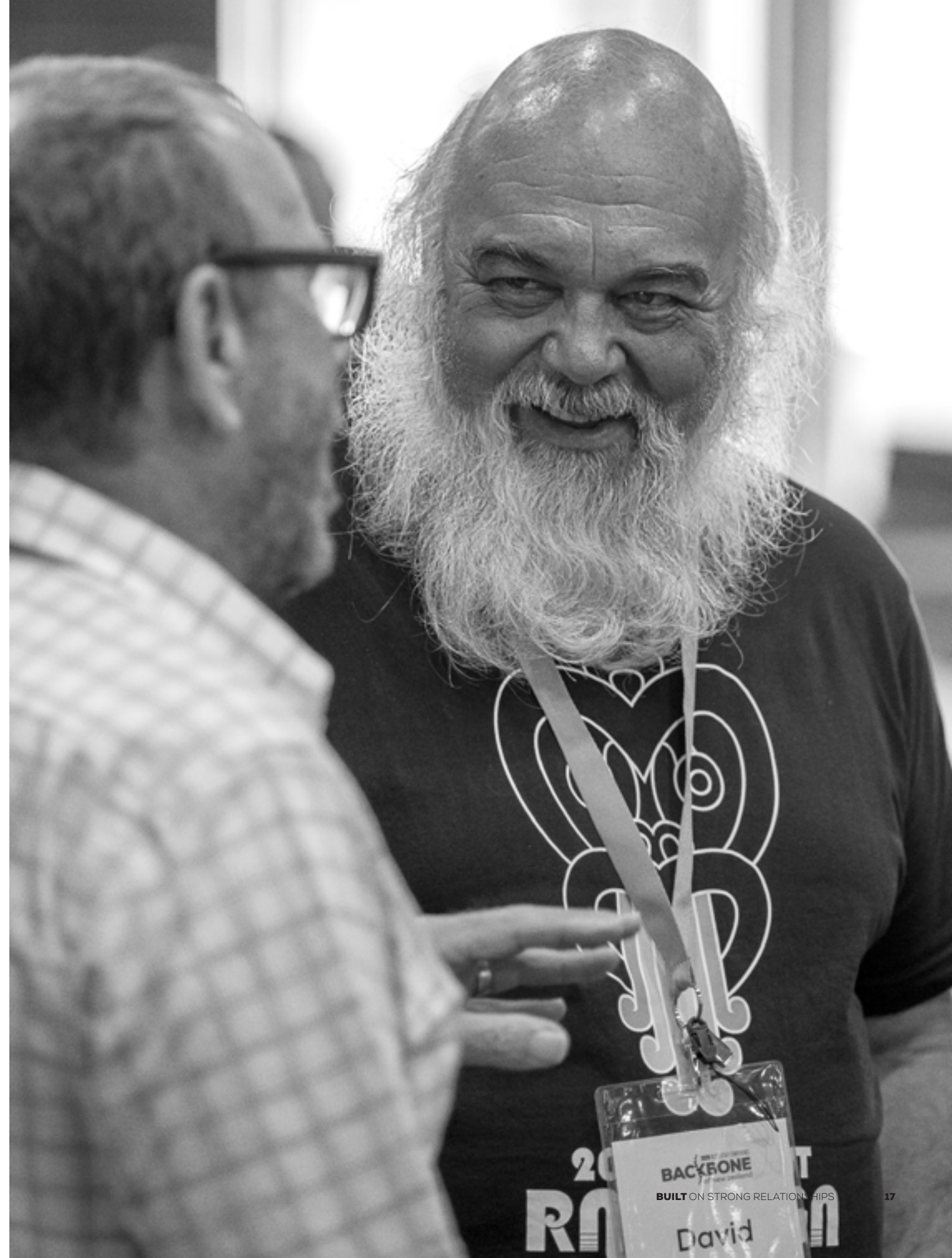
DIVERSITY STARTS WITH US

Diversity across the sector remains an ongoing challenge. Research we did earlier this year showed that entrenched attitudes continue to dis-incentivise women from entering the trades. As we said last year, we've recognised that changing this requires us to lead by example. Key appointments to our Board and our Executive Leadership Team demonstrate our commitment to rebalancing our gender mix and

encouraging others to take the initiative and make overdue changes to the composition of their workforce.

Critical to changing attitudes is doing everything we can to eliminate conscious and unconscious bias and taking actions that celebrate diversity and what it can add to who we are. That's meant educating our leadership around their words and actions, making everyone feel welcome and reviewing our recruitment messaging to ensure it is gender-neutral and that our policies are fair and balanced for everyone. Incorporating te reo Māori into our communications, lifting cultural awareness and continuing to participate as an active member of Diversity Works NZ are all initiatives to ensure that we practise empathy, support and diversity not just in everything we do, but also in what we are seen to support.

Next year we will celebrate the beginning of a new group of pou-tangata Māori (Māori Champions). This group of volunteers from our teams will support our kaitohutohu mātua and his team to promote kaupapa Māori through whanaungatanga and manaakitanga.



300 BCITO STAFF UP 4%



BUILDING OUR PEOPLE

Our people strategy, tupu te iwi, continues to focus on the four key areas that we see as critical to making a successful transition to whatever structure we become: our culture, growing our resources to meet increasing demand, offering our people support through change and wellness.

Our plan over the year ahead is to build our culture focused on our relationships, customers, learning, and digital. Aligning ourselves to put our customers at the centre of what we do will make us a more cohesive and collaborative organisation, and enable us to build stronger relationships, work as one team and improve the outcomes for our customers. To do that, we need to lift our learning by building our leadership strengths and encouraging everyone to work to their full capability. Digital too, will change the way we do our work by becoming a core part of our business. Understanding our customers better and having access to their data, we need to meet their needs/expectations.

STAYING SAFE, EMOTIONALLY AND PHYSICALLY

Wellness has been a priority area for us this year, as we work to ensure that our people feel supported to be their best selves.

We take a holistic approach to wellbeing, and we feel the te whare tapa whā (the four-walled house) model best reflects this for us. This Māori model compares health to the four walls of a whare (house) where all four walls are important to ensure strength and balance.

The four walls are taha tinana, physical health; taha wairua, spiritual health; taha hinengaro, mental health; and taha whānau, family/community health.

Sadly, the construction industry has the highest suicide rate of any sector in New Zealand. So, we have focused on getting people to speak up and share so that they don't feel isolated and that they must keep everything to themselves. GoodYarn is a mental wellbeing programme that started in the dairy industry and is all about encouraging and teaching people to seek peer-to-peer support. Everyone at BCITO attended a GoodYarn workshop this year, and we now have 15 trained facilitators in the organisation to keep the conversations flowing. Sitting alongside our successful Employee Assistance Programme, it helps prevent people from reaching a crisis point. An external assessment of our Hauora programme shows that it is working well and that our people know that the organisation cares about them.

We've also been improving physical safety. We had two long term injuries this year, and our close call reporting was also up. Vehicles remain our number one risk, both for our field team and for our organisation. Last year we ran a pilot initiative in Southland to see what impact installing a global positioning service (GPS) would have on driving behaviour, and the chief outcomes were a drop in speeds and better road conduct overall. We are now halfway through installing GPS into our fleet of 200 Mitsubishi Outlanders so that we know where our people are and can contact them in the event of an emergency, and so that they can monitor their travel and keep themselves safe. The added benefit of installing the system is that we can also see how well our vehicles are performing.



A MORE AGILE APPROACH

Data is critical to our ability to build and forge the many relationships we hold. Our ability to create a powerful and effective community has always been one of our great strengths, but it's an area where nothing stands still. We're committed to being where our customers are, and our digital strategy is about finding the efficiencies and more modern ways to support the huge efforts of our field team.

Key to that has been the introduction of agile working practices through greater integration of our technology and business to ensure everything works together to help us achieve our business outcomes.

OUR AGILE JOURNEY THIS YEAR

So far, we've reconfigured our IT and programme development team and introduced an Agile Coach to help us develop products more iteratively. We've also started developing new products for our business to extend our agile approach to our work with our business partners over time. This approach will enable us to experiment and test future options more quickly and thoroughly than we have been able to do previously. And because we are doing this inhouse, the intellectual property and the control stays with us, meaning a stronger business with a more technical focus.

Agile, of course, cannot happen in isolation, and our digital team have been working closely with our people and culture team to push a customer-centric approach across our wider working style. Beyond the technology itself, we've recognised that we need to use our Agile journey to deepen the customer mindset across the organisation, help build processes and systems that are inherently more transparent and more collaborative, and foster more empowered ways of working.

We have three types of customers: our people, our employers and our learners. Putting them at the heart of what we do will make things more efficient for all of us, and enable us to test, experiment and move forward iteratively to achieve focused outcomes.



THREE AREAS OF FOCUS

Our key area of focus this year has been internal – stabilising our systems and data to ensure they are in the right state for tomorrow. As we don't know what the new information structure will look like, we've concentrated on making our data cleaner to enable ease of integration into a new data management system. Having one source of truth means better options for whatever happens in the future.

Because of the fiscal constraints and implications RoVE introduced, our digital engagement programme was halted mid-way through its development and we had to rethink our operational approach of integrating two customer relationship management (CRM) systems for longer than anticipated. We have done this by making the best use of our existing platforms, fully reviewing our tech stack and plugging in new capabilities. To drive better management reporting and efficiencies, we have been upgrading and rebuilding our CRM software, Hapai. By year-end, Hapai 2.0 will feature a new, clean database where records are reliable, consistent and configured to work together.

Our final area of focus has been our customers. We know that going forward we need to leverage our technology to deepen our relationship with school students, learners and employers. That means developing more digital tools to help our customers' progress. For learners, that's about letting them see more clearly where they are; for employers, it's about enabling them to assess where their learners are at easily. Our next goal will be to integrate these developments

into the next generation of myBCITO. Developing a new portal for employers and learners will mean everyone can see progress with ease, learners can learn faster and better, and employers need to do less work.

WORKING WITH BUSINESS AS USUAL

All of these changes are taking place around our current business strategy to ensure that we continue to improve our digital capabilities while providing optionality for RoVE. For example, the changes to Hapai, that will help us deliver greater value and deepen relationships, are taking place at the same time as we are looking to increase active learner numbers by 5% in 2020 without increasing cost or compromising the quality of learning.

Similarly, our changes to myBCITO are happening at the same time as we look to expand our whole training community. Currently, myBCITO is available to school and post-school career seekers (rookies and starters). Building Construction and Allied Trades Skills (BCATS) is a free, turnkey package currently being used in 350 out of 500 schools.

The programme builds skills and an understanding of all the trades at levels 1 – 3. Disaggregated research shows that those who undertake BCATS are 10–19% more likely to complete their trade qualification, and to date, some 9,000 students have achieved credits. So the programme makes real sense and provides practical benefits for students and ultimately for the industry. It also helps ensure that schools remain a strong feeder for resourcing the industry of the future.

BUILDING CONSTRUCTION AND ALLIED TRADE SKILLS (BCATS)



MYBCITO NEW REGISTRATIONS 2019





MAKING THE RIGHT NEXT MOVE

Life after sport is an issue for most professional players, one we're determined to help resolve by offering those coming from competition sport the opportunity to build a second career in the trades through our Enterprise Package.

Launched this year, the package offers professional rugby and league players flexibility, a head start and a taste of building work before they move into full-time trades roles. Of course, it's also a sensible way to help resolve the skills shortage faced by the industry. Players at national, provincial and club levels get the chance to work their way through building theory and undertake the practical components later or when they can. Each player is supported and assessed by a BCITO training advisor as they learn.

CREATING A CAREER AFTER SPORT

It means professional players can dedicate themselves to sport in the season, and pick up their learning in the other months, without having to choose between the two. Players can learn on the job rather than in a classroom, and get paid while they are training, which also reduces the financial impact of changing career.

The shift from professional sports to the trades is not as unusual as some may think. Nearly 30% of retired rugby players have a trade qualification, including former All Blacks Chris Jack, Richard Kahui and Luke Romano, who are all qualified builders. According to research completed by the New Zealand Rugby Players Association, 88% of rugby players who studied and undertook work experience during

their career said that having an education or trade was an essential part of making a smooth transition from sports, while 42% said that qualifications helped them gain employment.

A YOUNG MAN JUGGLING TWO CAREERS

Sam Smith is an inspiring example of a young man juggling two careers to make sure that his future is secure. Currently trialling for the Under 20 All Blacks team, he's also two years into his carpentry apprenticeship. Sam says it's important to him that he knows what he'll be doing after he's finished playing rugby professionally.

"I know I won't be playing rugby forever, and I don't want to finish playing professionally or suffer a career-ending injury and be at a loose end," says Sam. "I enjoy being on the tools and learning skills that will be useful for the future. My coaches at the Wellington Academy are really supportive of my apprenticeship and are encouraging all of us to study or have a job that fits in around training."

This year, the Enterprise Package has focused on rugby, signing up three New Zealand All Black Sevens players, nine Warriors and 13 Super Rugby players. In time though, our goal is to work with more sports organisations to make the Enterprise Package available to a whole raft of sports.

EXTENDING OUR REACH

PEOPLE WHO COMPLETED BCITO PROGRAMMES IN 2019

APPRENTICES
& EXPERIENCE RECOGNITION
LEARNERS

} 2,930

ENTERPRISE
LEARNERS

} 253

GATEWAY
STUDENTS

} 124

TOTAL

} **3,307**



We welcomed another 7,200 new and returning learners into our programmes this year, breaking the 13,000 apprentices in training threshold for the first time. Of those, nearly 10,000 are studying carpentry – another first and above our target – but we’ve also seen growth in a wide range of other trades, including concrete and interior systems. Our Supervisors programme is up more than 50%.

Ongoing shortages across both the commercial and residential property sectors persist. Although we are now attracting record numbers, there are still plenty of opportunities for those looking for a career with long-term prospects. Continuing strong growth in Wellington, Otago, Auckland, Bay of Plenty, Waikato and Manawatu is evident, particularly on the residential side, with the numbers of employers and apprentices both up.

Our field teams continue to fulfil a critical national role in building relationships and overseeing the consistent training of learners at sites throughout the country. We’ve always prided ourselves on being the best in the market at building relationships, and the service, knowledge and sense of progression that our field teams bring to the employer-apprentice relationship has been pivotal to us continuing to grow and maintain our employer base.

Our face-to-face relationships and contact with industry involve approximately 55,000 site visits per year. So we know what’s important for learners to know in the workplace and with the industry’s help, we can provide the most relevant, modern learning resources.

We are now working closely with our digital team to increase efficiencies within our systems and to ensure our people have the best information possible as they reach out to employers. Our goal for the year ahead is to top 13,800 active learners.

A WIDER APPROACH STILL NEEDED

Our quest to broaden the gender, ethnic and age base of the sector continues. Diversity represents an ongoing opportunity not just to physically grow the numbers of people in the trades but also to freshen perspectives. The number of women is slowly increasing. Right now, there are around 450 women in the industry who are training with us, but we are still committed to seeing at least a ten per cent presence by 2025.

We spoke to many people about our activities last year to enrol more women in industry training. The feedback is that these efforts are yet to translate into substantial numbers in the workplace. As we’ve said for some time, given the projected shortages, the solution we believe lies in convincing more employers to step outside their traditional word of mouth referral network to embrace a broader view of who they should be hiring. It’s good to see that awareness of the gender imbalance is up, and having more women employed is viewed by employers as an opportunity. We know it will take time, but we are up for the challenge.

CHANGING THE ETHNIC MIX REMAINS A CHALLENGE

The ethnic mix of the sector also needs to change. It’s been a mixed year in that regard with Pasifika numbers up but numbers for Māori not shifting as much as we would like. To help attract more Māori into the sector and apprenticeships, we have appointed Gary Sue as our Principal Advisor Māori/Pasifika. He is responsible for overseeing our strategy, with a key goal to lift the overall number of Māori completing their apprenticeships. We were also awarded an allocation

WE’VE ALWAYS PRIDED OURSELVES ON BEING THE BEST IN THE MARKET AT BUILDING RELATIONSHIPS

from the Provincial Growth Fund to work with Waikato Tainui on a work readiness programme to get school leavers into building and construction and encourage them to stay. In Kaitaia, we’ve been working with the He Korowai Trust’s SWEET AS Māori Trade Training Academy programme to encourage youth there to consider the trades.

To encourage greater Pasifika participation, we’ve started running night classes in Auckland so that people can learn in groups at our Manukau Hub. We’ve also been running graduations in Auckland

and Hamilton that enable us to recognise those who have received their qualifications formally. So far, we’ve had 15 such events across the country. They have been occasions of enormous pride, excitement and celebration, and an opportunity for Pasifika families to come together and share in the success. We will roll out more of these graduations across the country in 2020.

REACHING OUT, SOONER

The key to encouraging more people to think of the trades as a viable future is to engage in conversations before young people finish school. With that in mind, we have secured funding from the Ministry of Education to present 25 TradeSecrets sessions that enable us to introduce employers and apprentices who will speak about the advantages of construction apprenticeships to the parents of year 12 and 13 students.

Our #Trades4Me day this year brought 500 school-aged children together to do hands-on work in Auckland on a real trade site. That’s more than double the number that participated in 2018.

We’ve also been reaching out to people looking for a second career.

MORE TRICKY CONVERSATIONS



KEY METRICS FROM THE 2019 CAMPAIGN

3,166

MYBCITO SIGN-UPS

+58%

ABOVE SIGN-UP TARGET

49%

ADVERT AWARENESS

127,166

WEBSITE VISITS

Tricky Chat was our campaign to change the attitudes of parents and whanau towards apprenticeships and trade careers.

When we commissioned Ipsos Group research agency to poll New Zealanders on their attitudes towards a career in building and construction, we quickly discovered that most parents didn't rate such a career very positively. Instead, many still believed that the smartest choice was to go to university and that all successful careers start with a degree.

To position a career in construction as a great choice, we needed to debunk the myths about apprenticeships, and we needed parents to understand that their prejudicial attitudes were a barrier and needed to change.

So we set up the ultimate awkward tricky chat conversation and used that to point out that times had changed and that smart parents supported their children in their choices and directions. We also highlighted that a career in construction comes with credible and respected qualifications and no shortage of financial opportunities.

It worked. The Tricky Chat promotion put BCITO, construction and trade careers on the map like never before. The TV commercial was viewed millions of times.

Since the campaign first aired, we have received tremendous feedback. Even more importantly, as we reported at half-year, we are seeing a positive change in attitude towards careers in building and construction across the board.

As a result of the campaign, **32% of parents and caregivers** who were polled said they viewed a construction career as a positive choice (up from 25%) and **23% of students** said they were open to the idea of a career in construction (up from 17%). We also saw a strong decline in negative attitudes towards pursuing a career in construction.

At year-end, we followed up with a new campaign that shifted the target audience from just parents to appeal to parents and their kids. Starting with a quick recap to remind people about the main character Michael and his parents, the new campaign revealed what happened to our favourite tradie-in-waiting. Channels for this campaign, which ran from February through to April 2020, included TV, digital, search, social, outdoor and cinema.

DELIVERING VALUE



Relationships underpin everything we do. Without the employers we work alongside, we don't have the agreement we need to bring training alive. So adding value to businesses and the industry is an essential part of how we work. We earn our place in every business, every day, by adding value.

We deliver that value at multiple levels. It starts with our people, equipping them with the resources to get out there and make a difference for learners, employers and us.

It's there in how we deepen our relationships with the building industry through various channels, from BCNews to the content we create to promote construction and the trades, to the events where we partner with suppliers, such as the Resene Roadshow.

Our relationship with career seekers focuses on dispelling the myths career seekers and their influencers have about construction and opening their eyes to the benefits and opportunities available. While our Tricky Chat campaign has done this with humour, and with an approach that has got plenty of people talking, we're also encouraging people to enter construction in other ways. Updating and evolving the myBCITO portal ensures we deliver experiences that make sense and that feel contemporary to those looking for a career and those training. Our commitment to diversity is the other important aspect: broadening the demographic of those interested in becoming tradies through our campaigns to encourage women into construction, our Māori and Pasifika strategies, and our Workforce Development Plans.

Particularly in times of change, like those we are experiencing at the moment, awareness of our organisation and the credibility and contributions we bring to upskilling the trades we cover play an important role in ensuring our voice is heard. We continue to build our relationships with the media to ensure BCITO is seen as a trusted advisor by the wider community. To do that, we've shared our stories and remained active in trade publications, updated our website with new content, maintained our presence in social media and driven engagement via all our platforms. We've also published reports to provide an overview of the contributions we made across the year with initiatives like Trade of the Week, which

raised awareness of our trades from within by having tradies share their stories.

Interactions with the education sector and with other ITOs are all about building networks of trust and gaining endorsement for what we are doing. This year we continued to reach out to school associations, secondary school principals, careers advisors and technology teachers to ensure that careers in building and construction remain front of mind with these important influencers.

Finally, we worked with external stakeholders such as industry associations, suppliers and National Advisory Groups to increase our understanding of trends and impacts. Our Workforce Development Plans play a critically important role in helping us map out what lies ahead regionally and nationally. The plans allow each sector to decide the role they will play in workforce development and what they can do to meet the challenges for the years ahead. In 2020, we will be adding a regional lens to our Workforce Development, working closely with the National Advisory Groups to share their pains and gains and to talk through the initiatives they would like to see delivered going forward. The focus will be on hotspots: Waikato, Bay of Plenty, Wellington and the top of the South Island. By including statistical and qualitative data about workforce supply and

ADDING VALUE TO BUSINESSES AND THE INDUSTRY IS AN ESSENTIAL PART OF HOW WE WORK

bringing together focus groups we will be able to form a much clearer picture on specific pressures and where industry believe they need help to run their businesses in the years ahead.

This work will also help us identify how we can contribute in terms of research, information and analysis, about workforce supply, demand and development.

GAINING A MEGA-VIEW

This year we undertook a major Workforce Development project in conjunction with the economics firm Infometrics to identify the major trends that could impact the construction workforce. Our goal was to see where major changes were occurring and then use the findings to inform our thinking around education, training and workforce development.

Twelve key trends emerged. Together, these will shape not just who joins the workforce but also the skills they will need, the ways they might work, and the training they will require. Alongside the specific takeouts for each trend, there were some bigger picture learnings:

- Businesses within each trade will be impacted differently in different regions.
- The key skills going forward will be things like adaptability, being comfortable with continuous learning, customer service, design-thinking, working with diverse people and communication.
- People are getting the right technical skills, but we need to improve how we deliver other skills.
- What people learn needs to keep pace with the rapidly changing nature of their roles.
- Workers' wellbeing and mental health are increasingly important factors in the workplace.



Understanding more about the future workforce and skill needs of the construction sector will help us to transform construction education to meet those needs best. Our workforce trends projects will equip the industry with information about the forces shaping the future workforce, and provide tools to respond to these changes. This knowledge will enable the sector, and individual businesses, to develop successful futures for everyone working in construction.

WOMEN IN TRADES RESEARCH

Over the last three years, a foundation group of organisations have undertaken a three-year research project jointly funded by industry and education partners, the Ministry for Women and Ako Aotearoa, to better understand how to lift the presence of women in trades.

In the first part of the research, women working in construction were asked to identify the learning journeys that women can take to qualify at levels two to five in our trades. Many reported that they didn't know what opportunities existed. Other barriers included the lack of advertising for roles (because so many employers still rely on word of mouth) and the physical requirements of the work.

When employers were asked about employing women, they referred to a lack of women applying for roles and said they would employ more women if they did. The increasing availability of flexible workplaces should make them

UPDATING OUR QUALIFICATIONS HAS BEEN A MAJOR FOCUS THIS YEAR, AND THAT WILL CONTINUE INTO THE YEAR AHEAD.

more open to hiring more broadly. The research also revealed that a lack of exposure to the sector or work experience influenced women's views on whether getting into the sector is a good choice.

We continue to do what we can through marketing and engagement activities to encourage more women to train. It's good to see real gains in the carpentry and painting and decorating trades. We also launched a Building Women closed Facebook group for women who are training or have trained through BCITO, so that they can network better and form supportive communities online.

This year we partnered with the National Association of Women in Construction for their

Excellence Awards. We are also actively aiming information at women in schools, inviting them to come to sessions on why they should embrace the opportunities for a career in the construction sector. Our Building Women Framework 2020 involves working with both internal and external stakeholders to support an increase in the participation and success of women in the construction sector.

Next year, we will release the analysis of government data which has helped us measure where we are now, where some of the opportunities are, and how we can measure our success in the future. Access to the government's Integrated Data Infrastructure has been invaluable in helping us look at the income-earning potential of tradespeople versus university graduates, and the effectiveness of transitional education programmes such as BCATS.

QUALIFICATION REVIEWS ON TARGET

Providing leading-edge solutions to support learning and assessment in the workplace sits at the very core of what we do. A key part of that involves updating our supporting material for our learners. This year, we launched new resources for carpentry apprentices to support businesses delivering the New Zealand Certificate in Carpentry.

For the first time, the New Zealand Certificate in Carpentry is being delivered in the workplace with the full resourcing required to translate theory into practice. The programme allows apprentices to undertake at home review and represents the most up-to-date learning material for the modern workplace environment.

Updating our qualifications has been a major focus this year, and that will continue into the year ahead. Qualifications for most sectors are either being reviewed or scheduled for review in 2020. We are confident that this work will be completed by the end of next year and that the new qualifications will also provide an important context for conversations with the industry about potential micro-credentials. Work is also about to begin to review or expire a large set of unit standards that are due or overdue for review. We will also be developing more learning resources to support our qualifications once they have been reviewed.

A SINGULAR FOCUS



"BCITO has certainly played to their strengths as a single focus ITO," says Brian Miller, CEO Master Painters NZ Association. "They have concentrated on offering very good support to employers, on proactively managing concerns and on keeping training up to date so that it's relevant to the rapidly evolving future of the sector."

Brian says that he's worked with the senior managers at BCITO for more than 10 years and the things that have struck him in that time are the organisation's insistence on finding outcomes for employers and apprentices, and the unselfish way in which they have gone about serving the industry.

"It's a valuable and long term relationship for us," says Brian, "because it's an active and authentic partnership. Both sides value the relationship. We all see it as a critical part of delivering what's needed to achieve the best outcomes."

The Master Painters Association represents a significant number of employers across the country says Taylor Sizemore, BCITO Industry Advocate. "They are an industry body committed to advocating for training that is fit for purpose, fit for the future and that delivers the outcomes tradespeople need to be competent, work safely and operate to their best within a pressurised and commercial work environment.

"What we bring to the relationship is access to resources that the associations don't have ... things like research data. We also handle the interface between the learner and employer on a daily basis. Associations like Master Painters have the membership and the representative skills and experience that link directly with these resources and allow us to move forward together."

"Like all the trades, we're looking for the best talent we can," says Brian. "I think where we've really been able to lead is in securing alternative sources of labour. For example, we've encouraged women to become painters and decorators, and our participation rates are now the highest of any of the trades. That emphasis on diversity is good for everyone: it means our members are better able to meet the needs of customers, we have a bigger pool of people to do the work, and we are able to show the other trades that diversity works."

The new model will change the way training is organised, and that's not necessarily a bad thing, he says. But it's important that smaller associations still feel that their voices will be heard and that employers stay engaged and committed to apprenticeship training.

"We could always be doing more to encourage employers to participate," he says. "Our view as an association is that there needs to be greater investment in, for example, training the trainer. But the most important things will be ensuring that trades and industry bodies can see a real future for themselves and that the relationships that are working well, like the relationship we have with BCITO, are allowed to continue, albeit under a different structure."

KEY STATISTICS AT 31 DECEMBER 2019

PEOPLE LEARNING

	2015	2016	2017	2018	2019
APPRENTICES & EXPERIENCE RECOGNITION LEARNERS	9,136	9,586	10,588	11,323	12,345
ENTERPRISE LEARNERS	220	212	172	272	302
GATEWAY STUDENTS	2	19	219	122	161
TOTAL	9,358	9,817	10,979	11,717	12,808

NUMBER OF LEARNERS BY AREA

NORTH AUCKLAND	1,252	10%	WEST AUCKLAND	872	7%	CENTRAL AUCKLAND	1,320	10%
SOUTH AUCKLAND	1,256	10%	WAIKATO	1,175	9%	BAY OF PLENTY	1,155	9%
CENTRAL NORTH ISLAND	1,257	10%	WELLINGTON	1,514	12%	NORTHERN SOUTH ISLAND	966	8%
CENTRAL SOUTH ISLAND	788	6%	SOUTHERN SOUTH ISLAND	1,253	10%	TOTAL	12,808	100%

NUMBER OF LEARNERS BY INDUSTRY

ARCHITECTURAL ALUMINIUM JOINERY	BRICK & BLOCK LAYING	CARPENTRY	CONCRETE	CONSTRUCTION MANAGEMENT	ENTERPRISE PROGRAMMES
184	187	9,438	268	251	302
EXTERIOR PLASTERING	FLOORING	FRAME & TRUSS	GATEWAY PROGRAMMES	GLASS & GLAZING	INTERIOR SYSTEMS
127	304	45	161	255	216
JOINERY	KITCHEN & BATHROOM DESIGN	MASONRY/ STONEMASONRY	PAINTING AND DECORATING	TILING	TOTAL
332	83	33	503	119	12,808

PARTICIPATION AND CREDIT COMPLETION RATES

(APPRENTICES ENROLLED IN QUALIFICATIONS AT LEVEL 4 & ABOVE)

PARTICIPATION	ACTUAL 2019	CREDIT ACHIEVEMENT	ACTUAL 2019
ALL APPRENTICES	89%		
MĀORI	17%	MĀORI	81%
PASIFIKA	8%	PASIFIKA	64%
NON-MĀORI & NON-PASIFIKA	76%	NON-MĀORI & NON-PASIFIKA	93%
UNDER 25 YRS	54%	UNDER 25 YRS	71%

LEARNER SIGN UPS

NEW APPRENTICES & TRAINEES	5,218
RETURNING APPRENTICES & TRAINEES	2,111
ENTERPRISE LEARNERS	476
GATEWAY STUDENTS	351
TOTAL	8,156

LEARNERS BY AGE GROUP

UNDER 18 YRS	286	2%
18-24 YRS	6,434	50%
25-39 YRS	5,035	39%
40+ YRS	1,053	8%
TOTAL	12,808	

LEARNER ETHNICITY



NET PROMOTER SCORES

APPRENTICES	+39	EMPLOYERS ACTIVELY TRAINING	+40
RECENTLY COMPLETED APPRENTICES	+61	EMPLOYERS OF COMPLETED APPRENTICES	+55
NON-COMPLETING APPRENTICES	+22	ALL CUSTOMERS	+43

MYBCITO REGISTRATIONS 2019



FINANCIALS = CLEAR + SIMPLE

TOTAL OPERATING INCOME
\$51,082,000

TOTAL OPERATING EXPENDITURE
\$50,919,000

OPERATING SURPLUS
\$163,000

OPERATING SURPLUS OVER PAST 5 YEARS



TOTAL OPERATING INCOME
\$51,082,000

\$11,959,000 \$37,429,000 \$642,000 \$1,052,000

SUBSCRIPTIONS AND FEES

GOVERNMENT GRANTS

INTEREST

SUNDRY INCOME



TOTAL OPERATING EXPENDITURE
\$50,919,000

\$27,516,000 \$17,079,000 \$6,297,000 \$27,000

PERSONNEL EXPENSES

OPERATING EXPENSES

ADMINISTRATION EXPENSES

OTHER EXPENSES



TOTAL SPECIAL AND RESERVE FUNDS
\$19,841,896

\$4,455,320 \$2,399,547 \$1,725,180 \$10,947,691 \$314,159

SCHOLARSHIP & EMPLOYER DEVELOPMENT FUND

LEARNING SUPPORT FUND

ICT & E-LEARNING DEVELOPMENT FUND

CONTINGENCY RESERVE FUND

WORKFORCE DEVELOPMENT PLAN RESERVE



**Report of the Independent
Auditor on the summary financial
statements**

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To the Board Members of Building and Construction Industry Training Organisation (Inc)

Opinion

The summary consolidated financial statements, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive revenue and expense, statement of changes in accumulated funds and statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of Building and Construction Industry Training Organisation (Inc) ("BCITO") for the year ended 31 December 2019. In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements.

Summary financial statements

The summary financial statements do not contain all the disclosures required by PBE IPSAS. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 27 March 2020.

Other information than the Summary Financial Statements and Auditor's Report Thereon

The Board Members are responsible for the other information. The other information comprises the annual report (but does not include the summary financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the summary financial statements does not cover the other information and we do not and will not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the summary financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the summary financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and will request that such matters are addressed.

Board Members Responsibility for the Summary Financial Statements

The Board Members are responsible for the preparation of a summary of the audited financial statements of BCITO in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*. Our firm carries out other assignments for BCITO in the area of assurance and advisory services. The firm has no other interest in BCITO.

Restricted Use

This report is made solely to the BCITO's board members. Our audit work has been undertaken so that we might state to the BCITO's Board Members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the BCITO and the BCITO's Board Members for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership



**Wellington
27 March 2020**

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

For the year ended 31 December 2019

	2019 \$000	2018 \$000
REVENUE FROM NON-EXCHANGE TRANSACTIONS		
Government Grants	37,429	34,445
Subscriptions and Fees	11,959	11,338
REVENUE FROM EXCHANGE TRANSACTIONS		
Interest	642	690
Sundry Income	1,052	911
Total Operating Revenue	51,082	47,383
EXPENDITURE		
Personnel Expenses	27,516	25,129
Operating Expenses	17,079	16,627
Administration Expenses	6,297	5,512
Other Expenses	27	27
Total Operating Expenditure	50,919	47,295
Surplus for the Year	163	88
TOTAL COMPREHENSIVE REVENUE AND EXPENSES	163	88

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	2019 \$000	2018 \$000
RETAINED EARNINGS		
Opening Retained Earnings	4,235	1,134
Surplus for the Year	163	88
Total Comprehensive Revenue and Expenses	163	88
Transfer from Special and Reserve Funds	1,723	3,013
Closing Retained Earnings	6,121	4,235
SPECIAL AND RESERVE FUNDS		
Opening Special and Reserve Funds	21,565	24,578
Transfer to Retained Earnings	(1,723)	(3,013)
Closing Special and Reserve Funds	19,842	21,565
TOTAL MEMBERS' EQUITY	25,963	25,800

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	2019 \$000	2018 \$000
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	3,468	9,827
Term Deposits	20,516	13,016
Receivables from Exchange Transactions	356	9
Receivables from Non-Exchange Transactions	2,400	4,198
Prepayments	1,605	1,253
Resource Production Inventory	273	109
Interest Receivable	136	79
Total Current Assets	28,754	28,491
NON-CURRENT ASSETS		
Property, Plant and Equipment	1,015	1,553
Intangible Assets	5,327	5,390
Total Non-Current Assets	6,342	6,943
TOTAL ASSETS	35,096	35,434
LIABILITIES		
CURRENT LIABILITIES		
Payables under Exchange Transactions	4,330	4,021
Subscriptions & Fees in Advance	3,766	3,635
Employee Entitlements	1,037	1,978
Total Current Liabilities	9,133	9,634
NET ASSETS	25,963	25,800
MEMBERS' EQUITY		
Retained Earnings	6,121	4,235
Special and Reserve Funds	19,842	21,565
TOTAL MEMBERS' EQUITY	25,963	25,800



CHAIRMAN OF BOARD
OF DIRECTORS
27 MARCH 2020



CHIEF EXECUTIVE
27 MARCH 2020

These summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements which are available on request from BCITO.

STATEMENT OF CASH FLOWS

For the period ended 31 December 2019

	2019 \$000	2018 \$000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash was provided from:		
Grants (Non-Exchange Transactions)	37,955	42,693
Subscriptions and Fees (Non-Exchange Transactions)	13,838	9,208
Sundry Income (Exchange Transactions)	796	920
Cash was applied to:		
Payments to Staff	(26,848)	(23,642)
Payments to Suppliers	(23,797)	(29,386)
Net Cash Outflow from Operating Activities	1,944	(207)
CASH FLOW FROM INVESTING ACTIVITIES		
Cash was provided from:		
Interest	585	943
Cash was applied to:		
Purchase of Property, Plant and Equipment	(292)	(1,159)
Purchase of Intangibles	(1,096)	(3,185)
Net Movement in Term Deposits (greater than 90 days)	(7,500)	12,000
Net Cash Inflow from Investing Activities	(8,303)	8,599
Net Increase in Cash and Cash Equivalents	(6,359)	8,392
Add Cash and Cash Equivalents at Start of Year	9,827	1,435
CASH AND CASH EQUIVALENTS BALANCE AT END OF YEAR	3,468	9,827
CASH AND CASH EQUIVALENTS INCLUDE:		
Cash in Bank	3,468	7,827
Short Term Deposits held < 90 Days	-	2,000
Total Cash and Cash Equivalent	3,468	9,827

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

REPORTING ENTITY

These financial statements are for the Building and Construction Industry Training Organisation (BCITO) (previously known as the New Zealand Federated Builders and Contractors Industry Association of Employers (Inc)). BCITO was registered as a charitable entity under the Charities Act 2005 on 13 March 2008.

BCITO is recognised by the New Zealand Qualifications Authority as the standard setting body for the carpentry and associated trades within the building and construction sector. Rather than having a primary objective of generating financial return, it operates to promote and facilitate industry training within the building and construction industry and provides nationally recognised training for trainees within the trades of carpentry, interior systems, solid plastering,

floor and wall tiling, cement and concrete work, brick and block, stonemasonry and proprietary plaster cladding systems, architectural aluminium joinery, flooring, glass and glazing, timber joinery, kitchen and bathroom design, and painting and decorating.

In addition, BCITO places great emphasis on safety within the industry through a range of nationally recognised health, safety and injury prevention qualifications.

The financial statements of BCITO are for the year ended 31 December 2019.

The financial statements were authorised for issue by the Board on 27 March 2020.

BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with Public Benefit Entities International Public Sector Accounting Standards (PBE IPSAS) and other applicable Financial Reporting Standards, as appropriate for a Tier 1 public benefit entity as defined by the External Reporting Board in its Accounting Standards Framework (XRB-A1).

BCITO is defined as a public benefit entity as its primary objective is to provide services for community or social benefit and the entity has been established with a view to supporting that primary objective rather than for financial return.

(b) Basis of measurement

The Financial Statements have been prepared on a historical cost basis, except for financial assets and liabilities that have been measured at fair value.

(c) Presentation currency

The Financial Statements are presented in New Zealand dollars (\$), which is BCITO's functional currency.

All financial information presented has been rounded to the nearest thousand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the financial statements for the year ended 31 December 2019 are consistent with those of the previous financial year.

1. REFORM OF VOCATIONAL EDUCATION

The Facts

The Education (VET Reform) Amendment Bill was passed by Parliament on 19 February 2020 and comes in to force on 1 April 2020. The Bill means Industry Training Organisations (ITOs), including BCITO, will essentially be split in two. The arranging training functions will be transferred to a provider (expected to be the New Zealand Institute of Skills and Technology (NZIST)), with the remaining functions i.e. qualifications development, standard setting, moderation etc. transferred to a Workforce Development Council (WDC). The transition must be completed by 31 December 2022.

The BCITO will be part of the Construction and Infrastructure WDC (CIWDC). This forms from a number of ITOs including Connexis, Skills, and potentially other industries covered by other ITOs.

Impact on BCITO and Expected Timelines

BCITO will become a Transitional Industry Training Organisation (TITO) on 1 April 2020 which is a change in title only as the legislation replaces the ITO legislation that has governed ITO's. BCITO, as a TITO, will continue to operate as it currently does until the functions can transition to the CIWDC and NZIST.

The infrastructure and construction sector has set up a working group to investigate and report back on governance options for the CIWDC and TEC is establishing a WDC Advisory Group and Reference Group to scope WDC capability and capacity needs. These groups are due to report back in September 2020 and WDC funding will be announced later

in 2020 once agreed by Cabinet. Based on these activities it is unlikely that a CIWDC will be fully operational in the next 12 months but might be established during this period.

BCITO has had very preliminary discussions with the NZIST Establishment Board. BCITO has stressed the need to ensure all of the necessary assets and capabilities are transitioned to ensure service is not disrupted and can see any 'rationalisation' of systems to generate efficiencies is some years off. Consequently BCITO staff involved directly with arranging training will need to transition to the NZIST along with programme and resource development, operating systems, overhead functions, and assets that support arranging training. Transition will therefore most probably be as a form of "going concern" and while how the NZIST incorporates them into its structure is yet to be determined, it has indicated a subsidiary structure is possible.

NZIST has advised that it is currently fully committed to managing the transition of Institutes of Technology and Polytechnics into the NZIST and will not be in a position to consider the transition of the arranging training functions of ITOs until the last quarter of 2020 at the earliest. Assuming due diligence may take some time, and there are many other matters that will need to be addressed, it is unlikely that any transition of arranging training will occur in the next 12 months.

The legislation allows for ITO assets to be transferred to providers and to WDCs to facilitate RoVE, notwithstanding what the founding documents

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

of the organisation may state. Surplus assets that are not required for RoVE will still be subject to the rules of the founding documents which, in BCITO's case, may relate to its cash reserves, or some portion of them.

Going Concern

Based on preliminary discussions with the NZIST, when transition does occur there is a good chance it will transfer as an operational entity (i.e. 'going concern'). While it is unlikely the CIWDC will be fully operational before April 2021, if some preliminary steps were underway this is likely to be only staff moving to the CIWDC which will not affect the majority of operations or involve any asset transfers.

As BCITO has over \$24m in reserves and retained earnings it is able to meet all obligations which may arise as a result of its eventual disestablishment i.e. lease commitments and redundancies, hence tests of liquidity and solvency are easily met.

Based on the information above we expect to continue as a going concern for the foreseeable future.

Potential Impairment of Fixed and Intangible Assets

Offices, and the majority of their related assets including furniture, fitout, and IT equipment used by staff, and intangible assets i.e. software, programmes and resources, would be part of any 'going concern' transition and purchased at book value. Residual assets, predominantly located at National Office, relating to the staff and functions which will transition to the CIWDC will have a minimal book value by the end of 2020. Therefore there is no material impairment expected on the book value of fixed and intangible assets.

Potential Redundancy Liabilities

While BCITO employment agreements do not have a redundancy payment precedent has been set in the past of paying redundancy when positions have been disestablished. BCITO has advised all staff it will continue to honour this practice should anyone be made redundant due to RoVE.

Staff transitioning to the NZIST and the CIWDC is subject to negotiation with the NZIST and the CIWDC. As the terms of transition have not yet occurred very little is known about the potential impact on positions. We don't meet any of the criteria to recognise a redundancy liability i.e. there is no formal plan for redundancy or any present obligation to specific parties and therefore also no one has any expectation of the implementation of a plan. Because of the uncertainty we are not able to provide any estimate of the financial effect of redundancy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. OPERATING LEASE COMMITMENTS

Operating leases in respect of leased accommodation are as follows.
Costs shown are GST exclusive.

	2019 \$000	2018 \$000
Not later than one year	1,192	1,229
After one year and not later than five years	1,168	1,721
Over five years	-	50
TOTAL ACCOMMODATION LEASE COMMITMENTS	2,360	3,000

Operating leases in respect of leased equipment and motor vehicles are as follows.
Costs shown are GST exclusive.

	2019 \$000	2018 \$000
Not later than one year	1,586	1,477
After one year and not later than five years	757	1,258
TOTAL EQUIPMENT AND VEHICLE LEASE COMMITMENTS	2,343	2,735

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. RELATED PARTY TRANSACTIONS

Related parties arise when an entity or person(s) has the ability to significantly influence the financial and operating policies of the entity.

Parent and Ultimate Controlling Party

The Building and Construction Industry Training Organisation is the ultimate controlling party of the BCITO.

Related Parties

BCITO has a related party relationship with its board members, key management personnel and association members.

Other than transactions with key management personnel (disclosed below) there have been no other transactions with related parties in the year (2018: \$Nil).

	2019 \$000	2018 \$000
Board Member Fees	318	194
Board Member Expenses	49	43
TOTAL BOARD MEMBER FEES AND EXPENSES	367	237

Key Management Personnel

Key management personnel include executive officers and other key management personnel.

	2019		2018	
	\$000	FTE	\$000	FTE
Salaries, Short-term Employee and Termination Benefits	1,798	7	1,448	7

Total remuneration paid to key management personnel is made up of short-term employee benefits and termination benefits. No other post-employment benefits or long-term benefit arrangements have been expensed in the years reported.

Other Related Party transactions

Except as stated above there are no other related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. SUBSEQUENT EVENTS

On 11 March 2020 the WHO declared a global pandemic in respect to the COVID-19 virus outbreak. Following establishment of a foothold within the New Zealand population, the New Zealand Government initiated a full societal lockdown with significant isolation requirements and movement restrictions imposed on citizens (with only essential services permitted to operate). The countrywide lockdown commenced on 26 March 2020 and is initially forecast to run for a 4 week period.

The countrywide lockdown is expected to have a significant economic impact on New Zealand, with flow through to the organisations financial results considered to be highly likely. Due to the nature of the countrywide lockdown and flow on economic impacts it is not practicable to estimate the financial impact on the organisation at this time. It is also likely the timelines discussed in Note 1 regarding the reform of Vocational education will be delayed.

There were no other significant events after balance date requiring reporting or adjustment in these financial statements (2018: Nil).

HOW TO FIND US

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Unit A, 8 Saturn Place,
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AUCKLAND - CENTRAL
Unit 1.1, 27 Gillies Avenue,
Newmarket, Auckland 1023

AUCKLAND - WEST
1A Tapu Road, Huapai, Kumeu 0810

AUCKLAND - SOUTH
38C Highbrook Drive,
East Tamaki, Auckland 2013

CENTRAL

HAMILTON
8 Maui Street, Pukete,
Hamilton 3200

TAURANGA
40 Tawa Street, Mt Maunganui 3116

WHAKATANE
11 Te Tahi Street, Whakatane 3120

ROTORUA
71 Pururu Street, Rotorua 3015

GISBORNE
21A Derby Street, Gisborne 4010

NAPIER
7A Austin Street, Napier 4110

NEW PLYMOUTH
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New Plymouth, 4310

PALMERSTON NORTH
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32 Amesbury Street,
Palmerston North 4410

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Wellington 6011

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Alicetown, Lower Hutt 5010

MASTERTON
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Masterton 5842

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Timaru 7910

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**MĀ TE BUILT
WHAKAPAKARI ON
A TĀTOU STRONG
WHANAUNGATANGA RELATIONSHIPS**