

Building towards tomorrow 2020 BCITO Annual Report



**Hurihia tō aroaro ki te rā,
tukuna tō ātārangi kia taka
ki muri i a koe**

**Turn your face to the
sun and the shadows
fall behind you**

Rising to new challenges _____	2
Highlights for the year _____	4
Chair’s report — Responding constructively to demand _____	6
Chief Executive’s report — Framing our future _____	10
30 years of building people _____	16
Nailing our digital response _____	18
Relationships with strength _____	22
Supporting our people _____	24
Big changes for our teams _____	28
Assessing apprentices across the generations _____	32
Setting out where we’re going _____	34
Key statistics _____	38
Financials clear and simple _____	40
Auditor’s report _____	42
Statement of Comprehensive Revenue and Expenses _____	43
Statement of Changes in Equity _____	44
Statement of Financial Position _____	45
Statement of Cash Flows _____	46
Notes to the Financial Statements _____	47
How to find us _____	53



Rising to new challenges

New Zealand's building and construction sector has every reason to be optimistic. The concerns that swept the industry and the sector with the outbreak of Covid-19 have given way to a strong sense of optimism as the housing sector has boomed, interest rates have stayed low and the country has been able to enjoy sustained periods of business-as-usual.

We've never been so busy. There are many reasons for that, including the Government's decision to actively encourage New Zealanders to seek out careers in the trades. But with borders closed and the influx of skilled construction professionals now at a standstill, eyes have turned to us to help ready the next generation of apprentices for the huge workload that lies ahead.

Our people have responded with amazing energy. This report reflects how our teams have absorbed and welcomed the thousands of new learners that signed on with us this year, and the many new employers who stepped up to provide the workplace training and support that this country desperately needs.

For 30 years, BCITO has been a main force in ensuring that those who prefer to train on-site can do so. There are changes ahead in terms of how we are structured and how vocational support is delivered, and we're determined to do all we can to make tomorrow even better for our current learners and employers, and all those looking to learn a trade in our sector.



Highlights for the year

Building towards tomorrow

16,905

Total apprentices actively in training

Total number of schools and other providers involved in Building Construction and Allied Trade Skills (BCATS)

381

+32%

Increase in number of learners

Total BCATS credits gained

276,000

3,377

Total qualification completions

Total apprentices using myBCITO digital platform

12,500

55,892

Total site visits by training advisors

Total impressions across all media channels for Tricky Chat - Ep 2

+8mil

+7.9%

Increase in apprentice satisfaction net promoter score (NPS)

Total impressions across all media channels for Built by You campaign

+2.5mil

+5%

Increase in satisfaction of employers actively training NPS

Total number of BCITO people

366

Responding constructively to demand

2020 was a roller-coaster year. We started the year with the uncertainties of the Reform of Vocational Education (RoVE) dominating our agenda, quickly re-focussed our attention to deal with a global pandemic as Covid-19 hit New Zealand, and closed out the year dealing with unprecedented growth.

Yet, despite the environmental, market and economic uncertainties, a new Chief Financial Officer and new Chief Executive, BCITO has continued to excel, finishing the year with a record 16,905 apprentices (32% increase), some 8,025 active employers (21% increase) and a healthy balance sheet and surplus.

I talked in last year's Annual Report of the "backbone" of management and people within the organisation, and once again, they have shone through in our performance under trying circumstances.

Reform of Vocational Education

We started the year with workshops and planning for the establishment of the Construction and Infrastructure Workforce Development Council. The Government subsequently took over this process through the Tertiary Education Commission, as they sought to align all industry sectors for

their Orders in Council ministerial submissions. Interim Establishment Boards were established to facilitate the process. That process was then the subject of industry consultation.

Our discussions have advanced around "lift and shift" delivery models. Te Pūkenga now sees this format as an optimal solution and is making the necessary regulatory arrangements. BCITO, Competenz and Connexis, colloquially known as the "Coalition of the Willing", are also working alongside each other in early adoption negotiations.

Predictions of disaster did not eventuate

The Covid-19 pandemic caused significant upheaval as we all grappled, via Zoom, with what the post-Covid world would look like. Forecasts of significant economic depression, including a predicted "catastrophic" drop of up to 20% in apprentice numbers, had us scrambling to re-budget and re-set business expectations to protect our people, even after government intervention to at least guarantee our 2020 funding. We quickly identified digital as crucial to BCITO's efficiency in supporting many apprentices on a contactless basis.



Employers who train with BCITO 2016–2020

2020	.....	8,025
2019	.....	6,650
2018	.....	6,267
2017	.....	5,832
2016	.....	5,341



Mike King - Chair



David Fabish - Deputy Chair



Victoria Troake



Kieren Mallon

Of course, the complete opposite has occurred in reality, as the Government's Apprenticeship Boost employer support scheme generated the largest growth in our history. In response, we are now facing new challenges related to increasing our capacity. The back end of 2020 has seen our field teams handling unprecedented numbers of applications and apprentices to meet demand, as we strive to maintain our service levels. I want to acknowledge their efforts in managing the uplift in trainee numbers while inducting, training, and mentoring the many new people that we have welcomed in response to this surge.

A healthy surplus, but at a cost

Despite significant challenges around delivery as we have expanded to meet demand, our organisational resilience resulted in a healthy surplus for 2020. This positive

scenario largely arose from the continued efficiency of our operations and, of course, due to the Covid-19 lockdowns and restrictions, a significant amount of under-expenditure, and an associated reduction in business costs.

The surplus has not only allowed the organisation to bolster its contingency reserve in line with its growth, but also to provide some additional support through our Scholarships fund for those BCITO employers who were unfortunate enough to have qualifications that did not meet the Boost criteria.

The over-delivery is however unsustainable in the longer term and we have been seeking assurances from the Tertiary Education Commission (TEC) that the additional funding will be forthcoming to meet our ever-growing numbers of apprentices and employers.

We will indeed continue building towards tomorrow

Thanks

As a board, we have been blessed with the stability so vital in these times of extremes. My thanks to our board members for making themselves available for re-election, and to our industry members for their continued support through the electoral college process. My thanks also to my fellow board members for their ongoing commitment and dedication to our organisation through a year when other priorities could easily and understandably have distracted focus.

Towards the end of 2020 we said goodbye to our previous Chief Executive, Warwick Quinn, who decided to take up a Deputy Chief Executive role with Te Pūkenga, so that in his words, he would be in a position to "catch the ball". I would like to thank Warwick for his five years of service to BCITO and the successful corporate growth that he drove during that period. My thanks also to Greg Durkin for seeing the year out as Interim Chief Executive during the recruitment process. Accordingly, I would like to take this opportunity to welcome Toby Beaglehole as our new Chief Executive. Toby was selected from a very high calibre field of applicants and we are delighted to have him on board leading into 2021.

The year ahead

In the aftermath of Covid-19, 2021 is shaping up to be another challenging year for us all, with the continuing rate of growth and the approaching RoVE transition(s). I am confident that with the continued support of our industry associations, our employers and our staff, BCITO is well-positioned to meet those challenges. We will indeed continue building towards tomorrow.



Mike King
Chair



Rachel MacIntosh



Grant Florence



Rob Gaimster

Framing our future

During 2020, BCITO's people displayed genuine concern and incredible adaptation as the realities of working in a Covid-19 environment changed our workplace and challenged our assumptions. Later, with the Government's commitment to supporting workplace learning, we experienced a record surge in numbers, and all this in our 30th year as we prepared for a fundamental re-design of vocational education.

Even for an organisation adept at handling change, this was an extraordinary year, not least for the range of issues and opportunities that came our way. Taking up my role at the end of the financial year, I want to pay tribute to the work of the prior Chief Executive, the Interim Chief Executive and the Leadership Team in guiding the organisation through an environment our Chair has aptly described as a roller-coaster.

Record numbers, thanks to Government support

We end the year with record numbers of learners and a massive uptake in employers participating in our apprenticeship programs. The jump took us all by surprise, and it's good news for a sector where the need for qualified professionals remains acute. The surge in numbers brings its own challenges, and the organisation has responded to them. The whole team have proven themselves to be true performers under pressure, and I'm confident matters such as funding allocation can be worked through swiftly and pragmatically.

At the end of our financial year, it's hard to believe that Covid-19 has only been with us for less than a year. Indeed, as alert levels were announced and the country closed its borders and then proceeded to Level 4, there was deep concern within the sector as to what this would mean for one of the biggest contributors to the New Zealand economy. We braced for the downturn that everyone expected and worried about the wellbeing of our people and our wider community of employers and learners.

The Government's decision to financially support skills acquisition changed the dynamics of our situation very quickly. The \$1.6 billion Trades and Apprenticeships Training Package included \$320 million set aside to support free trades training in critical industries, including the construction sector. On top of that, the Apprenticeship Boost initiative delivered a further \$412 million of investment to support employers to retain apprentices and to hire and train more people.

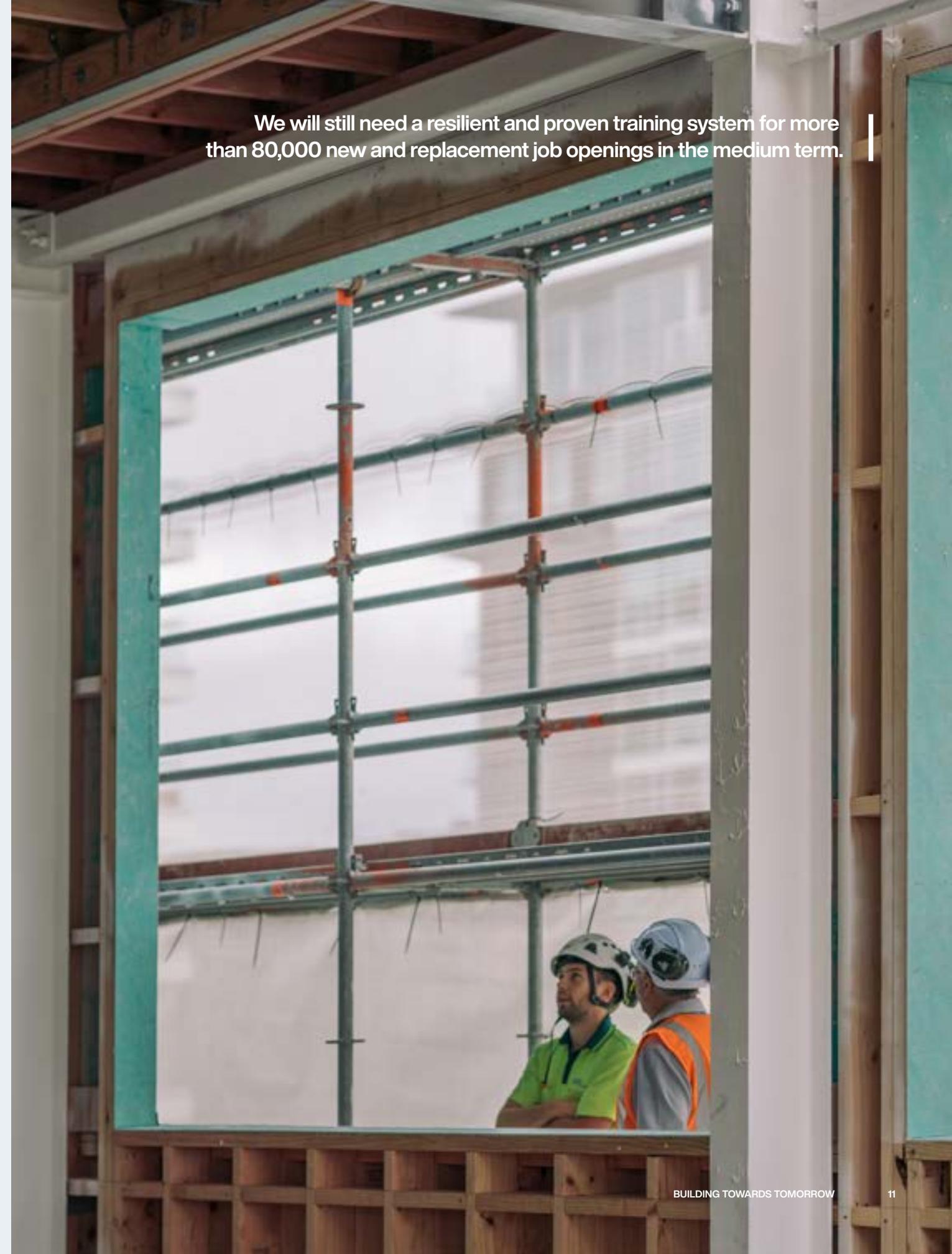
The reaction was almost immediate. We experienced the biggest increase we've ever seen in the number of apprentices we look after and the employers we work with. Simultaneously, the construction sector itself bucked every prediction as the housing market heated up and the Government endorsed the importance of significant investment in infrastructure. Such an acceleration in demand saw BCITO rapidly shift gear to address new levels of need.

Respect for the trades continues to increase

The huge influx of learners is most welcome. As we've been saying for some time, tens of thousands of apprentices and trainees will be needed in the years ahead. Covid-19 hasn't changed that scenario. We will still need a resilient and proven training system for more than 80,000 new and replacement job openings in the medium term.

The positive reactions to our Tricky Chat television commercial and the noticeable uptake in our social media engagement are welcome signs that New Zealanders see the trades as viable career paths. As people make that commitment to apprenticeships and further training, the onus is on us to ensure outcomes are maintained during the transition to the new arrangements, and beyond.

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A significant expansion of our digital capabilities

This year, we fast-tracked a complete upgrade of our digital learning capabilities. We transformed myBCITO from a programme aimed at school students to a national digital learning environment catering to all our learners. Making that happen involved so many people throughout the organisation, and it's an achievement of which everyone here can be truly proud. The follow-through from that change is transforming not just our technical infrastructure but also every aspect of how we model our relationships, particularly for our training advisors.

Working in partnership on industry changes

Alongside the impacts of Covid-19, the change in training arrangements driven by RoVE has meant some re-alignment of our organisation. We signalled early, and strongly, that BCITO would be a positive contributor to this change agenda and that we would do our utmost to ameliorate uncertainty by working alongside others.

The shift in Government funding saw a welcome increase in the number of firms willing to engage in vocational development. Historically, only 10% of businesses have offered to train, and because more than 90% of companies have five employees or less, there simply haven't been the resources to encourage training, innovation, and research and development.

Workforce Development Councils (WDCs) are being established to centralise education and industry voices to develop vocational education together. Our hope is that the Construction and Infrastructure Workforce Development Council (CIWDC) will proactively guide responses and share knowledge. The WDC model should help everyone focus on what is required and develop world-class qualifications that suit the way work in our sector is evolving.

For the past 18 months, BCITO, Competenz and Connexis have been working closely to build a future for integrated vocational training that works for the industry and employers as well as for learners and of course our own people.

Equally, in our relationships with Te Pūkenga and TEC, we have engaged in conversations based

on trust, a free exchange of views and best endeavours. Two particular areas of co-operation stand out.

In planning how the delivery of training will work going forward, our approach has been one of "lift and shift". We're proposing to carry over as much as possible of BCITO's current arrangements into Te Pūkenga so that the transition is seamless, the best aspects of what we do are preserved and the foundations are set for further improvement. Our planning will achieve this with minimal disruption for employers and apprentices.

Secondly, we have worked closely with the TEC to help set up the Workforce Development Council, hosting the original group of individuals and sector stakeholders and then playing an active part in the Interim Establishment Board. BCITO has always been an advocate for industry voices, and my view is that how things get done is less important at this point than making sure the parties are aligned and that progress is being achieved.

Qualifications progressing well

This year, we transitioned many more apprentices to a new NZ Certificate as we continued to review all our qualifications to ensure they're fit for purpose. It's been especially pleasing to see the diversity of skills that New Zealanders are interested in mastering.

New contracts for workforce development

As part of its response to Covid-19, the Government offered funding for a range of projects to help people get back to employment. We won four contracts from the Workforce Development Council/Transitional ITO Covid-19 Response Projects Fund administered by the Tertiary Education Commission.

The first stemmed from a project we had been leading, commissioned by the Dunedin City Council, Ngāi Tahu and the Ministry of Social Development to forecast workforce demand for the construction sector in Otago over the next 15 years.

As part of the funding, TEC then asked us to take the lessons and initial model from that Otago Construction Workforce Forecasting Project, refine it and apply it across 15 regions.

Number of learners

16,905

% growth in training numbers

+32%



Executive Leadership Team

Toby Beaglehole
Chief Executive

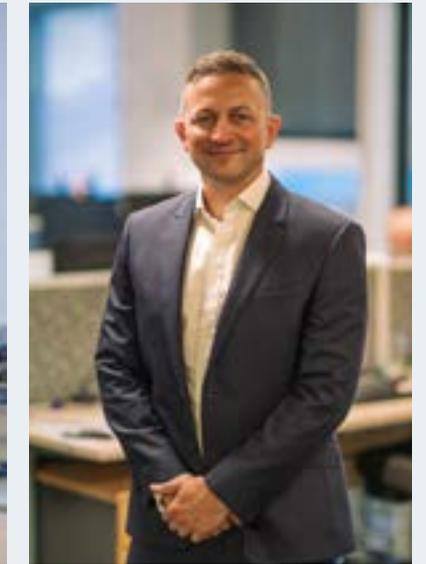
Greg Durkin
Group Manager Education
& Stakeholder Engagement

Amanda Herron-Quan
Group Manager People & Culture

Glenn Duncan
Group Manager Customer Experience

Peter Fletcher-Dobson
Group Manager Digital

Jason Hungerford
Chief Financial Officer



Subsequently BCITO has developed a new Regional Construction & Infrastructure Workforce Forecasting project that covers the entire construction sector, including civil infrastructure, roading, water, hospitals, schools and residential and commercial construction.

We are working with other ITOs and stakeholders like Regional Skills Leadership Groups, so we can assist regions in identifying their specific construction workforce issues. By the end of 2021, we will have developed all of the required 15 Regional Construction and Infrastructure Workforce Forecasts.

The second project, "TradeKnowledge" is exploring why construction firms choose not to participate in training so that we can design intervention strategies that will lead to greater support of apprentices and trainees. The project itself takes the form of a series of after-work employer events, run regionally and targeted toward SME business owners within the building and construction industry.

The third project revolves around the creation of micro-credentials and support materials that recognise key transferable work skills. The focus is on short-term skills shortages and retraining requirements for delivery in a range of contexts including the workplace, provider-based environments, work preparation, work experience and transition programmes. Digitally-focused learning

support materials will enable employees, learners and employers to engage irrespective of alert levels or their current employment status.

As we know, women's employment has been disproportionately and adversely affected by the impacts of Covid-19. The final project supports women whose employment situations may have been or will be affected by the pandemic. The retrain strand will focus on how we can best attract and transition women who have lost their jobs into careers within the building and construction industry. A second strand will focus on retaining women in the sector to guard against the loss of their valuable skills. BCITO is committed to ensuring women play a far more significant role in the industry, are paid what they're worth and treated with the respect they deserve.

All these projects align with our commitment to building a stronger and more resilient building and construction sector over time.

Mixed messages in our financial results

Our financial results reflect the complexities of what we have all been through in recent times. A year that began with a real focus on belt tightening has given way to a healthy surplus later in the year as the pace and timing of growth generated strong income. While we were initially concerned that the levels

of training might plateau or drop, we now believe that is less likely. Closed borders, an urgent need for residential housing and confidence within the sector have all generated underlying demand for training over the longer term. At the same time, we have had to increase our own numbers considerably to meet the demand, and that lift in operating costs will bite in the year ahead. As things stand at year-end, we are funded for 30% fewer learners than we currently have. Our investments in improving our digital capabilities will, over time, lower our cost to serve, but we are asking the Government to adjust our allocation in recognition of our situation.

Launching into next year

We end a tumultuous year in good spirits. Thirty years was always going to be a defining point for this entity, but no one could have anticipated just how pivotal a year this would prove to be. It's a sign of just how quickly we have adapted that our collective reaction to alert level changes is now almost seamless.

We can all be proud of reaching the important milestones of sixteen thousand apprentices in training and a 21% increase in the number of businesses engaging in training. We are now ready to take all that forward, building on the momentum and helping more learners and employers than ever to upskill our sector. In the year ahead, we will focus on making the most

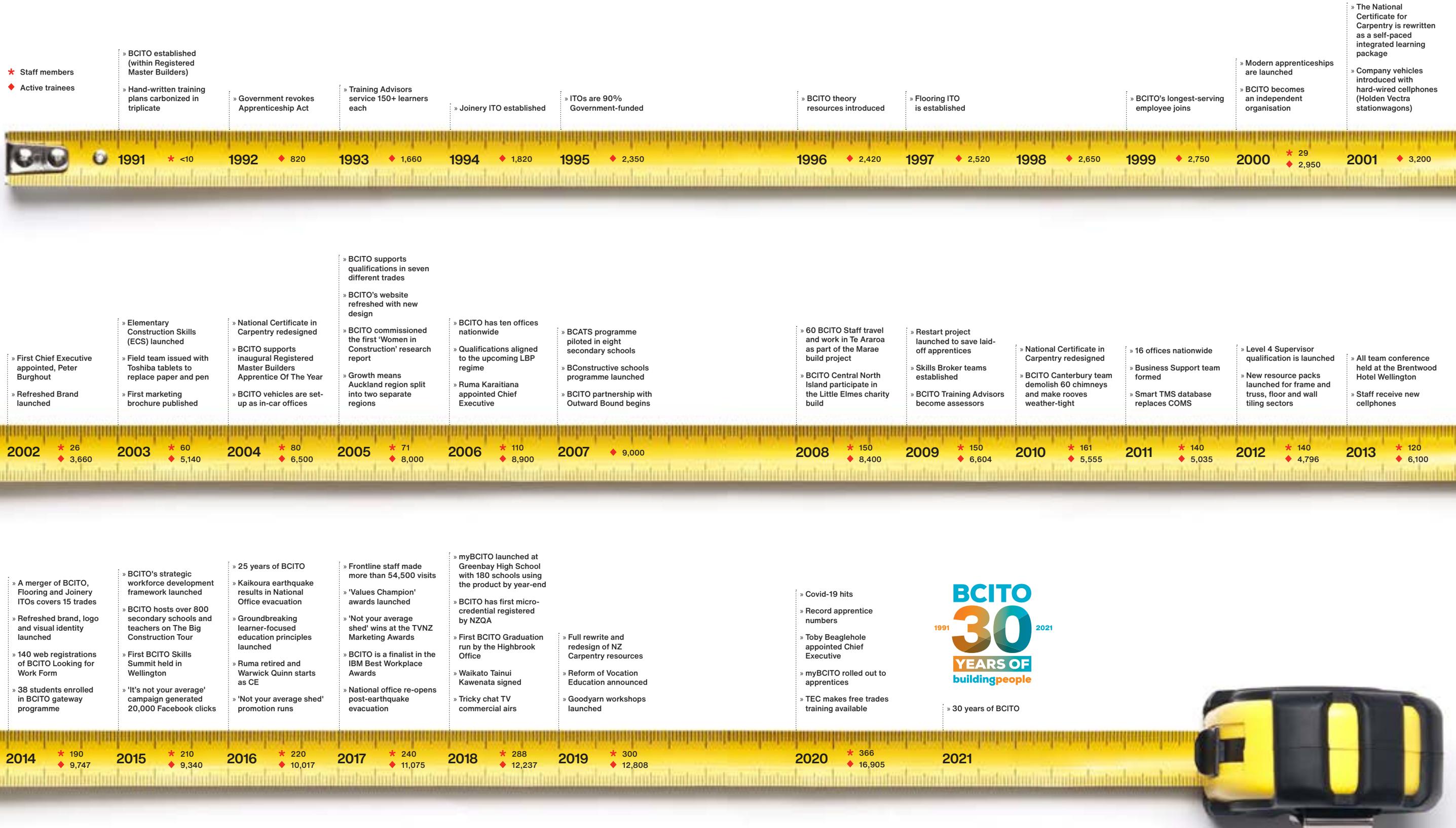
of the growth that we have experienced and the investments we have made.

There have been some changes to our Executive Leadership Team this year. I want to thank my predecessor Warwick Quinn for the energy and insight he brought to the role, to offer our former Chief Financial Officer Tania Smith our thanks for her contributions and best wishes for the future, and to welcome Jason Hungerford to the role. I also want to take this opportunity to congratulate Amanda Herron-Quan on being awarded the HRINZ Generalist of the Year Award for New Zealand.

Finally, my sincere thanks go to all our people for their unwavering energy and steadfast commitment this year. The Board has provided excellent guidance; likewise, our industry and other stakeholders have kept the faith and worked alongside us to navigate the challenges of a pandemic and the governance and operational intricacies of the RoVE process.

Nga mihi.
Toby Beaglehole - Chief Executive

30 years of building people



Nailing our digital response

A platform that at the start of the year catered to the needs of around 1,200 people had, by the end of May, become home to 14,000 learners.

We completed our most radical transformation to date of our digital learning management system, and we did so within six weeks. Such an achievement is a tribute to the co-ordinated efforts of many teams who worked tirelessly to dramatically upgrade how we work with learners, employers and on our own frontline.

Pre-lockdown, our digital teams had been focusing on stabilising our systems, gaining efficiencies through digitisation (making people's lives easier) and beginning to build a digital platform for learners that would connect them with BCITO. The Alert Level 4 lockdown in March changed the pace and scope of our targets almost immediately. With building sites off-limits, we recognised we needed to be able to deliver ongoing learning throughout the various alert levels. That decision led us to adapt our school-based app myBCITO into a much more ambitious cloud-based platform for our entire community.

A massive team effort

Delivery required co-ordinating inputs from across the organisation. We brought our salespeople, the myBCITO team, content writers, platform builders, our quality assurance team and our marketers together and worked in a highly collaborative, very agile way, using stand-ups and sprints to iterate our way through. For much of this time, our people worked from home to fully support the business. Most of the changes were achieved without a hitch and our whole organisation can be proud of the fact that we saw no loss of productivity through lockdown and beyond.

A platform that at the start of the year catered to the needs of around 1,200 people had, by the end of May, become home to 14,000 learners, as well as our own field-based people. Our goal going into this was to have 80% of our learners engaging with myBCITO by the end of the financial year. We achieved 85%, with a very pleasing 86% satisfaction rating.

Our core business goal remains unchanged, that is, ensuring that learners have the right skills in the right place at the right time. Nevertheless, such a transformational and rapid change has inevitably altered our own perceptions of our work. Learners still review written resources to support their practical learning, but increasingly this can take place in a digital environment. Because we had to move so quickly, much of the content is currently PDFs of the existing materials, but the next stage of development will see much of that reworked into fully digitised learning content.

New levels of control for learners

The upshot is that learners now have much more control over how and when they choose to study. They can view their progress through their qualification, for example – a development that we will soon extend to employers – and the added options and flexibility allow them to learn at their own pace. They can now prepare better for an assessment, working with their Training Advisor on an ongoing basis rather than having to condense everything into one site visit. So, they can upload



Teachers nationwide

306

Rookies (school students)

1,016

Starters (people ready to work)

2,919

Rookies and Starters who became apprentices

965

photos and videos of their work to myBCITO, giving them a much greater sense of ownership over their apprenticeship journey, while also compiling a digital record of their learning.

The challenge for our field team and for employers has been adapting to a seamless digital learning environment that no longer complies with old timeframes. Work that used to be done during weekdays, and overseen with regular visits, is now being completed by apprentices when it best suits them. Weekend activity is immensely popular and many apprentices now log on outside of work hours. That, in turn, completely changes the service models for everyone and we have had to retrospectively rescope our service level agreements to suit.

The challenges for our field team were significant. Not only did they need to learn a whole new system, but they also had to oversee apprentices, at a time when BCITO was experiencing unprecedented growth. We're still stabilising elements of the operating model, and our people are continuing to adapt how they work, but overall, everyone has come through this whirlwind of digital change very well.

A streamlined digital environment

Two other significant projects have kept the digital teams very busy this year. The first has been the ongoing migration of our data to a cloud platform in preparation for the transition in the year ahead. The goal of this project is to ensure that we can move our data sets and systems in their

entirety to Te Pūkenga with stable platforms, good integrations and easy to use data.

The other significant project taking place has been the consolidation of our CRMs into a single system. Again, we've worked in an agile way to cleanse data, stabilise efficiencies and decouple the organisation from its legacy relationship system as we made the shift to Salesforce. This process, in itself was no small undertaking, but it means that, at year-end, we can prepare for the transition ahead with a single stabilised CRM system, Hāpai, a much-advanced myBCITO learning management system and cloud-based data that we can transport with confidence. Indeed, by the end of 2021, we are confident that our community of myBCITO users will have expanded to 25,000 people.

Agile has more than proven its worth

Introducing Agile ways of thinking and working was a significant change for the organisation in 2019. Still, the model has proven itself over a year that none of us could have envisaged. In a volatile change environment, Agile has not only made sense, but it has also proven its value. We have a much more collaborative working environment now. Even as we have risen to take on increased workloads this year, we have experimented and tested options quickly and thoroughly in-house, built out our intellectual property, and maintained control over our data and systems to make the future transition a smooth journey.

Relationships with strength

“I couldn’t imagine a better industry partner,” says Daniel Howe, Chair of the Frame & Truss Manufacturers’ Association (FTMA) and a National Advisory Group member. “BCITO is the training organisation for all our apprentices. As such they help us look after, develop, and administrate qualifications for the trade.”

Daniel says the relationship between BCITO and the national advisory body for timber structures (the frame & truss sector) goes back a long time. “I’ve been involved with the Association for 10 years, and the relationship pre-dates that.”

Retention is much higher because people can see a career path for themselves. They’re more confident and their new skills and training make them increasingly valuable to employers.

BCITO provides two main qualifications: a Level 3 qualification for Frame and Truss Manufacture and a Level 4 qualification for Frame & Truss Detailing. These qualifications play a significant role in attracting high-calibre trainees to the industry.

These certificates are structured to recognise work done in the factory and to ensure people have full exposure to the skills and knowledge they need. “Everyone benefits from the apprenticeship programme,” says Daniel. “Retention is much higher because people can see a career path for themselves. They’re more confident and their new skills and training make them increasingly valuable to employers.”

As manufacturing has become more automated in recent years, trainees need to learn both manual skills and to understand how to work with increasingly advanced machinery. Daniel has noticed more recently that as the sector becomes more specialised, trainees tend to focus on one area rather than move around.

“BCITO helped us strand our qualifications and that’s enabled us to recognise specific skills. It’s also encouraged people to pursue what they are interested in, so there are no barriers to qualification.”

FTMA itself has more than 90 members and actively promotes the merits of apprenticeships to the membership. This year, 187 apprentices have been working in the two trades. Of this total, 148 have been doing the Level 3 programme (3 female and 145 male) while 39 have been involved with the Level 4 qualification

(4 female and 35 male). Across the two training programmes, there are more than 20 different ethnicities represented.

In his own business, Daniel says he has four apprentices studying for the timber structure detailing qualification and six doing the timber structure manufacturing qualification.

BCITO Industry Advocate Helen Hines-Randall is a regular presence at FTMA meetings. She presents on industry trends and training. Most recently, she has been helping them with sourcing speakers for their upcoming conference in September at Te Papa in Wellington, and is looking into the feasibility of introducing an Apprentice of the Year Award.

Looking ahead, Daniel says, “BCITO have reacted well to the reform of vocational education. They continue to look after the industry with training and it’s been good seeing them segueing into the new educational environment. In these changing times, strong relationships, such as the one we have with BCITO, are critical.”



Supporting our people

Our people have shown themselves to be remarkably resilient through a year when so much changed. Morale has stayed high, productivity has also held up very well, and there's a real spirit of commitment and energy as we approach big changes scheduled within the next year.

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

We executed well on our plan to focus our culture on our relationships, customers, learning, and digital. Putting our customers at the centre of what we do has made us a more cohesive and collaborative organisation and enabled us to build stronger relationships, work as one team and improve the outcomes for our customers.

Our numbers climbed markedly this year, particularly in the second half, in direct response to the record number of learners and employees signing on with us.

Effective leadership has been crucial

We continued to build our leadership strengths. A key learning from this year was that strong managers make a real difference to the morale and performance of a team. Our leadership style puts our people at the core of our structure, with our leaders around them to provide support and guidance, encouraging everyone to work to their full capability. That arrangement was successful in helping our people tackle the stresses and changes that Covid-19 presented. We also found

that instigating little initiatives helped build a sense of fun and team spirit through the tougher times. As a result, our engagement scores were steady through our annual survey and quarterly Pulse checks.

As our digital platforms came online this year, there were significant changes to the ways people work. Understanding our customers better and having access to their data has enabled us to meet their needs/expectations, but it has also put real pressure on our people to transition to new ways of working. We're still ironing out the kinks in some parts of the business, but overall the new systems have been well absorbed and we have pulled off a shift to a much more digital way of working with remarkable success.

Big increases across our teams

Our numbers climbed markedly this year, particularly in the second half, in direct response to the record number of learners and employees signing on with us. There are now 366 people working here. Personalised service is a key BCITO deliverable, and resourcing that aspect has added considerably to our operational costs. Nevertheless, the feedback we get from learners and employers is that our huge people growth has been achieved without any drop in service quality.

We had expected, on the eve of the considerable changes scheduled for 2021-22, that we might see significant turnover. Instead, we were pleased that the rate of people moving on was less than half what we expected, giving us stability and ensuring we retained valuable skills and experience as the workloads ramped up.

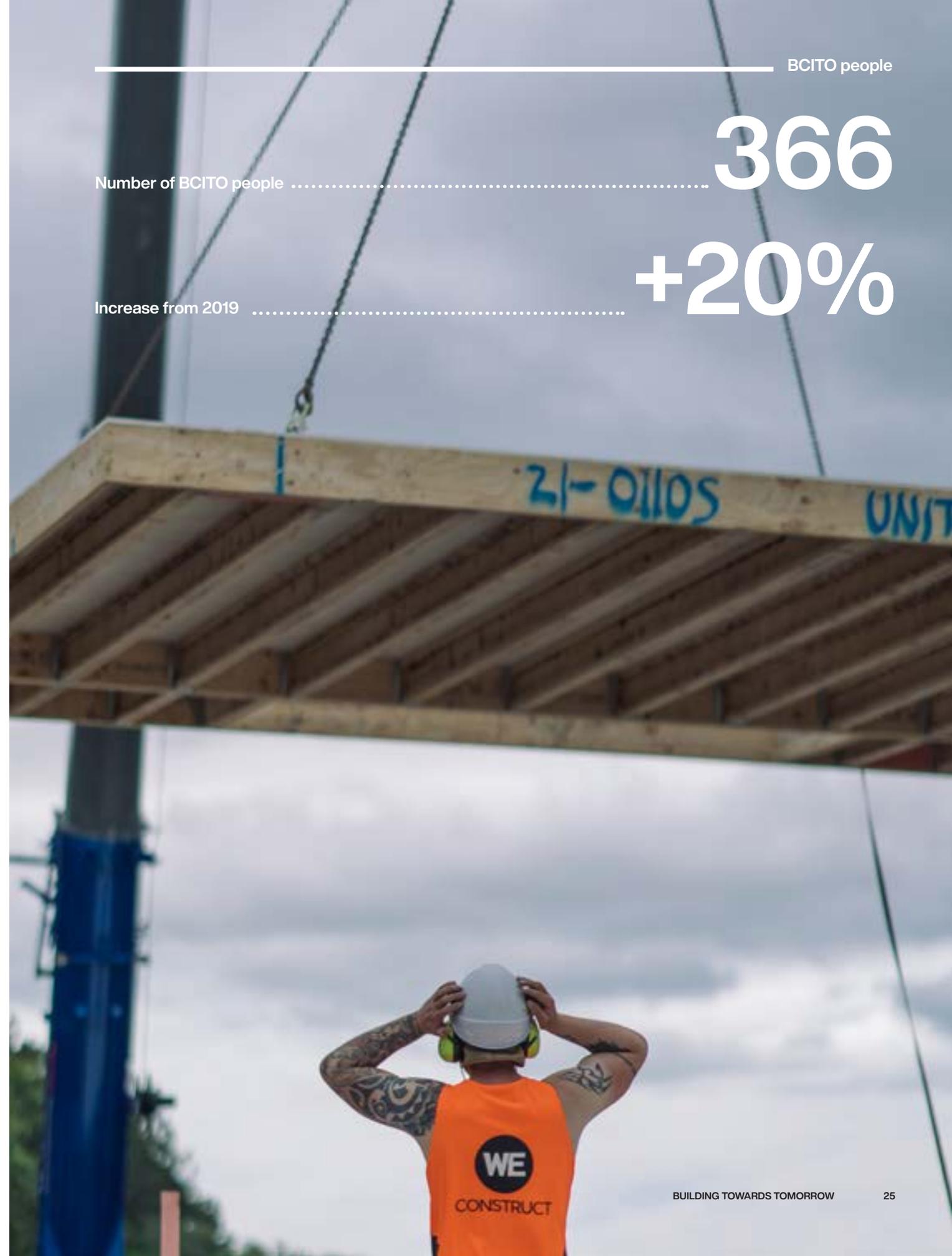
One of the key reasons we haven't struggled to find newcomers is by ensuring that all who join, including contractors, are welcomed as

Number of BCITO people

366

Increase from 2019

+20%





full members of the team. Investing in people, regardless of the nature of their employment or the length of their contract, has strengthened our teams and enabled our people to see a way forward within our organisation, despite the changes that lie ahead for vocational education.

Waka Huia, our learning and development programme, developed in 2020 and scheduled to be launched in early 2021, treats the knowledge and growth of our people as a treasure that we must nurture. In addition to personal development plans for our people, we have also subscribed to LinkedIn Learning to give them access to new skills to boost their personal development and career fitness.

We took a more transparent approach to our communications in 2019, making sure our leaders were visible to the entire team and that our people felt connected and informed about

We had planned to roll out a range of initiatives to strengthen our internal Māori cultural capability in 2020. Unfortunately, due to Covid-19 delivery of these was disrupted, and our goal for 2021 is to put a formal programme in place to build our people's knowledge of Te Tiriti o Waitangi, and tikanga Māori.

Wellness has been a priority this year

It has been incredibly important to ensure that our people feel supported through the upheavals and disruptions of the pandemic and so much resultant change. We continue to take a holistic approach to wellbeing, with our te whare tapa whā (the four-walled house) model comparing health to the four walls of a whare (house): taha tinana, physical health; taha wairua, spiritual health; taha hinengaro, mental health; and taha whānau, family/community health.

Our GoodYarn workshops, which are an essential part of managing mental wellness, have been attended by 80% of our people.

developments. We continued that approach this year to good effect. Combined with our presence in the media, the result was that people felt they knew where they and BCITO stood through times when many other things around them were less clear.

Covid-19 slowed some things down

Not everything went to plan. We had big plans for our diversity programme this year, which ended up being shelved as other priorities intervened. As a result, our key diversity metrics haven't really moved. We remain an unbalanced workforce from a gender perspective, with 69% males, but we saw a real increase in the number of females in our field teams after we changed our recruitment advertising to make it more welcoming to women. Currently, 40% of our managers are female.

We made small, but important, steps towards making our workplace more Rainbow-friendly. We celebrated Rainbow Day this year and made important changes to our policies such as removing gender-specific references.

The external 2019-20 SafePlus Audit and an internal SafePlus Self-Assessment found we are 'Performing' in Wellbeing and Safety.

Our GoodYarn workshops, which are an essential part of managing mental wellness, have been attended by 80% of our people. In response to the Covid-19 environment, we are looking forward to being able to offer these workshops virtually, as well as face-to-face.

To ensure our teams are supported and educated to protect themselves and others when out on the road, our people attend practical driver training courses so they know how to respond and how their vehicles respond in dangerous situations. Our people also complete online driver training modules to keep their knowledge up to date, and GPS and rollover functions are installed in their vehicles to encourage positive driver behaviours and for quick location of our people in an emergency.

Big changes for our teams

Massive digital changes are transforming how we work with our expanded community of learners and employers. For the field team, that's meant changing many of the ways we work. At the same time we have expanded to meet unprecedented demand.

The new training environment builds on how our apprentices have learnt throughout school, making better use of their natural aptitude for digital forums and enabling communications and interactions with them to be faster, more interactive and multi-media.

A multi-channel approach

Historically, our service model has been driven by a stipulated four visits with every apprentice each year. Our new digital delivery model maintains face-to-face contact, and builds on that at an individual level, enabling apprentices to incorporate their digital devices very much into how they acquire knowledge and report progress. Site visits are now complemented by Zoom calls and interactions throughout myBCITO, meaning a much greater level of engagement with each person is possible over a year.

From that stems new ways of acquiring and testing knowledge. For example, quizzes have proven very popular, and we will now look to take their use to the next level as part of our progressive learning environment. What's also become clear is that some qualifications naturally lend themselves to these more flexible approaches, and have flourished under the new direction. Supervisors' qualifications, for example,

used to struggle to attract the numbers needed to meet an acute level of demand. With the shift to a digital platform however, the number of those training to undertake such roles leapt from around 60 to more than 500.

Expanding our field team

To meet the urgent ongoing need for qualified and skilled tradespeople, we've grown our team considerably, adding more than 40 training advisors throughout the year. Our feeling is that we will need to expand our team even further to get ahead of the demand curve in the year ahead.

Our field team are already very service-focused, but Covid-19 put new emphasis on understanding and meeting the needs of our customers. They hit the phones, talking with employers regularly to discuss their specific requirements and work through how we could help. What emerged from those conversations was that our customers really valued their interactions with us. It became an excellent opportunity to deepen and renew relationships with those responsible for overseeing training, and has really helped as we look to encourage our employers to more digitally-based ways of engaging with us.

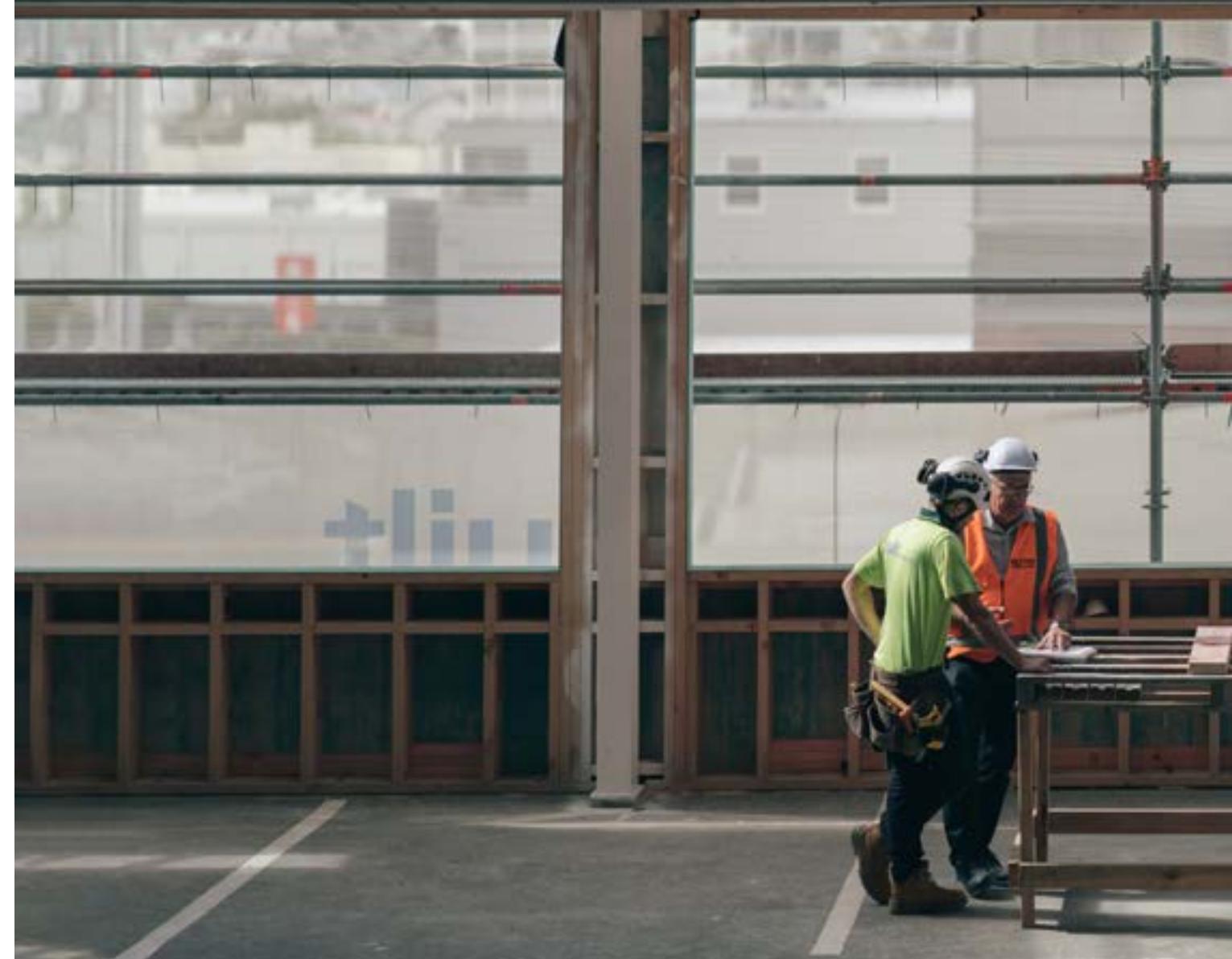
Helping BCATS students succeed

For students working on the theory aspects of their Level 1 and 2 Building, Construction, and Allied Trades Skills (BCATS) unit standards, lockdowns meant they were unable to attend

Number of schools and other providers **381**

Number of units achieved **53,720**

Total credits gained **276,000**



school. To help them, we created and published over 200 documents in just a week for those with internet access so that they could complete their planned activities and worksheets using electronic resources. We also worked with the Ministry of Education to deliver 278 resource packs to those who needed hard copies.

Students doing Level 3 BCATS could not continue with their unit standards away from school because all the unit standards had to align with each student's practical project. To help them out, our National Moderator gained a temporary release for specified non-BCATS unit standards. This initiative allowed 485 students at 65 schools to achieve 1,021 units and 3,569 credits. Congratulations to all our BCATS learners at all three levels for working through the challenges.

Uptake of qualifications is diversifying

Another very pleasing development this year has been the diversity of qualifications apprentices have enrolled in. Providing leading-edge solutions to support learning and assessment in the workplace sits at the very core of what we do. For some time, we have had a major focus on updating and reviewing many of our qualifications. While carpentry remains our most popular trade, we have also seen more people signing up for painting and decorating, flooring, joinery, frame and truss and more. The shift indicates a higher interest in specialised trades. By year end, we were supervising 160 qualification programmes for our record number of learners, including noticeable increases in those looking to achieve management qualifications.

At the same time, we've seen healthy interest in our micro-credentials. We introduced these shorter, bite-sized learning modules as a way for the industry to address short term/side skill needs. Full qualifications are important to lift the overall level of expertise in the sector, but streamlined credentials and skill upgrades complement that goal and provide an efficient and responsible way to develop the workforce of tomorrow. As we noted in last year's report, it's crucial that the industry retains a significant say over how we provide our programmes. In future, to ensure training offerings are the right fit for the work needing to be done, it will be very important for the Construction and Infrastructure

Workforce Development Council (CIWDC) to continue to work closely with the industry.

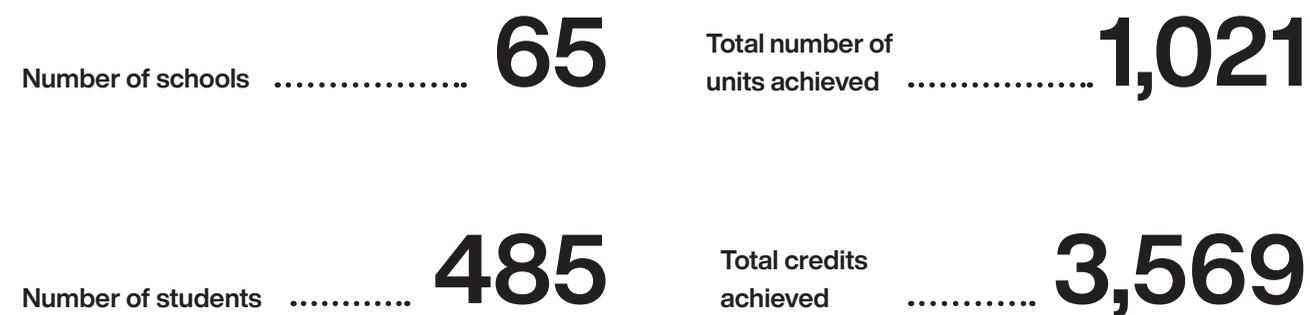
Continuing to broaden our training community

We continue to look for ways to diversify our training community to reflect New Zealand's ethnic make-up more accurately. We may have seen considerable gains in training numbers this year, but the building and construction sector still has a long way to go to achieve a more representative population. It was heartening to see an increase in the numbers of learners claiming Māori and Asian ethnicity this year – especially after a slight drop in the number of Māori trainees last year, but disappointingly our Pasifika numbers declined. To encourage greater Pasifika participation, we established a Pasifika Engagement Framework to guide our work with these groups, to ensure we are creating and delivering communications that help people feel welcome.

One of the success stories this year has been the number of women signing up for training in the building and construction sector post Covid-19. The intake for painting and decorating in particular showed a welcome improvement. We remain committed to seeing at least a ten per cent presence by 2025 and as we've said for some time, 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.

Leading by example

Our training advisors have had an enormously busy year. Even allowing for lockdowns and shifts in alert levels, our people undertook 55,900 site visits across the country. The role of our front-line teams will only increase in importance in the year ahead as we ready ourselves for structural change. It's exciting. With the advent of Te Pūkenga, we have a great opportunity to build a better and holistic system based on customer service. Keeping workloads and responsibilities manageable within the new organisation will be a priority. However, our chief focus at BCITO needs to be on enhancing learner and employer success so that it advances industry and in turn, the entire country.



Assessing apprentices across the generations

David Parsons has been with BCITO for 17 years, first as a moderator and then later as an assessor. Currently, he is assessing apprentices being trained by one of his original apprentices, who is now an employer. It's a classic example of BCITO's involvement in inter-generational training.

Tristan Sanders initially met David through Tristan's first employer. Soon, David saw him every 3 months to gauge his progress as Tristan worked towards being a fully qualified builder. Later, when Tristan established his own company, he needed to train his apprentices. He then encouraged them to work with the same man who had looked after him.

they know. I look to have successful outcomes with everyone I engage with. I value study and improving myself and I hope I pass that on to those I assess. I want them to feel positive about their future and the hard work they are putting in."

Tristan says his company started small, just doing residential projects, but as they moved into other work, they found they needed to expand their workforce and they wanted to make sure their people had all the skills they needed.

"We have an expanding crew of around 70," says Tristan, "and I've encouraged all of them to do their apprenticeship and to form a relationship with David."

It's been inspiring to be involved with Tristan and all those who work with him over an extended period.

"In the course of my relationship with Tristan, I've worked alongside 35 of the We Construct crew," says David. "As well as Tristan and his wife and business partner Michelle, I'm currently overseeing 20 apprentices and five evaluators/verifiers. Five apprentices have completed their carpentry apprenticeships, two are training to be site supervisors and one has completed his supervisor qualification.

"It's been inspiring to be involved with Tristan and all those who work with him over an extended period. The key to success is building trust, being there for them, looking them in the eye and helping them progress their skills. I'm there to assess their skills, but part of the role is also to offer support and be a mentor.

"Different people have different ways they like to be assessed," says David. "While some like to write things down, most prefer to talk about what

By encouraging all his employees into apprenticeship programmes, Tristan has gained the confidence to build and expand his business. "An apprenticeship won't teach them everything, but, like I found, it gives a solid base on which to acquire further skills. That's why I don't mind taking on apprentices and why I'd encourage other employers to invest their time in training. When you're working alongside a good assessor, like I am with David, you know your people are really learning the language and the skills they'll need as builders ... And if you're thinking of taking up an apprenticeship, I can tell you from personal experience that it's worth it. Give it a go. Don't be afraid to start. You'll learn a lot. You'll meet some great people and you'll have skills that you can take with you, and turn to, for many, many years."



Setting out where we're going

The development of myBCITO showcased what can be achieved through a cross-organisational approach to rigorous educational design. It generated additional learning opportunities to augment the training we already support, but, even in such a busy year, we continued conversations with New Zealanders on a number of fronts.

Individual success lies at the heart of our efforts, but a full range of relationships make it possible for us to add value every day. As we've said many times, without the employers we work alongside, we don't have the agreement we need to bring training alive.

Tricky Chat returns

Our relationship with career seekers focuses on dispelling myths and educating them about opportunities in the trades. Tricky Chat 2 was our follow up advertising campaign that continued our quest to change the attitudes of parents and whānau towards apprenticeships and trade careers. The first tricky exchange between parents with a prejudicial attitude to the trades and their go-ahead son aired in 2019 and was viewed millions of times. The follow-up campaign looked to build on that success, talking directly to parent influencers and overtly inviting young people to look at taking up an apprenticeship.

Tricky Chat 2 was scheduled to run from March to May, but was interrupted by Covid-19. Even so, the campaign, with its strong messages of gender diversity and career progression, once again proved a real hit and led to further positive

gains in how people view trade careers. We were very pleased with the feedback and, as we prepare this report, the third and final instalment, which will bring closure to the relationship and the family disagreements, is in the works.

Maintaining apprenticeship numbers as Covid-19 hit

During the lockdown, Built by You engaged with employers and industry to remind them of the enormous differences they had made to New Zealand's infrastructure. The national campaign asked those involved in building to step forward and access Government support to stay the course and increase the numbers of those training. As we've highlighted throughout this report, that call to action was a huge success. Employers responded in their hundreds, giving training numbers a boost beyond even our most generous expectations. In fact, more than half the employers who signed up this year were new to training or hadn't been with us for some time.

Plenty of activity on social media

Alongside our campaigns, our social media presence received significant engagement. It's pleasing to see how many New Zealanders now choose to follow our platforms. All our key metrics were up this year. With over 25,000 followers we are the largest New Zealand construction community on Facebook. We maintained an average daily total organic reach of 3,000 and increased our web traffic from social media by 13%.



Social media statistics

Facebook followers **25,600**

Increased web-traffic from social **+13%**

Tricky Chat Campaign Episode 2

Youtube views **8,200**

Contacted us as keen on a trade career **1,032**

Total media impressions **+8mil**

Built by You campaign

Views across all media channels **+2.5mil**



A matter of principal

Sadly, many industry conferences didn't happen, which meant our apprenticeship awards didn't receive their usual level of attention. We look forward to these events resuming soon, because they underline the importance of excellence in the trades and give up-and-comers a chance for recognition at a national level. We were able to continue our sponsorship of the Secondary Principals' Association of New Zealand (SPANZ) conference. Not only are these professionals a major influence on education in this country, they are also critical to the successful implementation of programmes like Building Construction and Allied Trade Skills (BCATS). The BCATS programme is now available in 300 secondary schools, with 10,000 school leavers every year achieving at least one industry-related standard, making it the most widely used ITO programme in secondary schools.

Inputs from industry

Despite the disruptions, we continued working with industry associations, suppliers and National Advisory Groups (NAGs) to increase our understanding of trends and impacts. Our Workforce Development 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 year ahead. The plans play a critically important role in helping us map out what lies ahead, and this year we added a strong regional lens, working closely with NAGs to talk through what they would like to see delivered going forward. As an industry training organisation, we rely on industry to help us understand what's required. The advisory groups are critical to that end, so we are grateful that we were able to have a full set of NAG meetings this year.

Ongoing media interest

We were very pleased with our media presence and profile in 2020. It was very important to us that New Zealanders recognised the huge difference that BCITO people were making. Awareness of our organisation and our credibility, and the contributions we bring to upskilling the trades, play an important role in ensuring our voice is heard. We continued to build our relationships with the media, sharing our stories, contributing to trade publications and regularly updating news content on our website, to ensure BCITO was seen as a trusted advisor by the wider community. The effort paid off. Construction has been a compelling news story throughout this period, with major concern about the housing shortage, the need to grow capacity, the sector's role in the economy (and how it might affect a recovery) and the effects that the Government packages had on increasing trainee numbers.

Talking up a once-in-30-year opportunity

Whoever we spoke to, we were consistently optimistic around the changes ahead. We see RoVE as a once-in-30-year opportunity to create a truly integrated approach to education. Our messages throughout this time have stressed bringing together all the parties and recognising this fantastic opportunity to manage vocational and on-the-job training as one consolidated offering. Covid-19 could so easily have put a dampener on that happening. Instead, because of the Government's support of training and our own hard work in driving our digital presence, we've been able to deliver the most relevant training information yet to our apprentices and employers, setting in motion a recruitment drive that, at year end, shows no signs of abating.

Key statistics

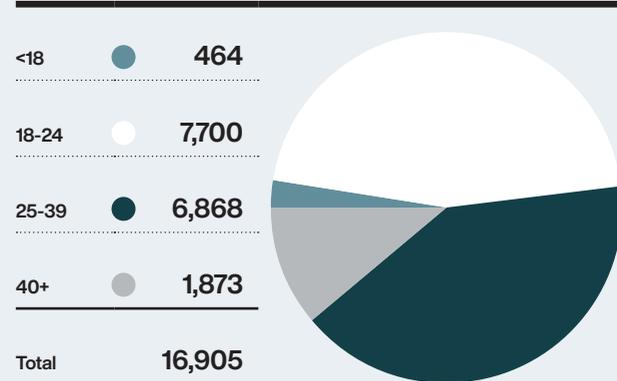
Total actively in training at year end

	2016	2017	2018	2019	2020
Up-skilling industry participants	212	172	272	302	309
Gateway students	19	219	122	161	145
Trainees	9,586	10,588	11,323	12,345	16,451
Total	9,817	10,979	11,717	12,808	16,905

Sign ups

	2019	2020
New trainees	5,218	8,484
Returning trainees	2,111	4,469
Up-skilling industry participants	476	457
Gateway students	351	366
Total	8,156	13,776

Learner age at 31 December 2020



Number of learners by industry at 31 December 2020

Architectural Aluminium Joinery	370	2.2%	Interior Systems	484	2.86%
Brick & Block Laying	283	1.67%	Kitchen & Bathroom Design	132	0.78%
Carpentry	11,389	67.37%	Painting & Decorating	881	5.21%
Concrete	464	2.74%	Stonemasonry	53	0.31%
Construction Supervision	520	3.08%	Tiling	202	1.19%
Exterior Plastering (incl PPCS)	212	1.25%	Timber Joinery	424	2.51%
Flooring	469	2.77%	Up-skilling industry participants	309	1.83%
Frame & Truss	170	1.02%	Gateway students	145	0.86%
Glass & Glazing	398	2.35%	Total	16,905	100%

Participation and credit completion rates in 2020

Apprentices enrolled in qualifications at Level 4 and above	Participation rate	Credit completion rate
Māori	19%	69%
Pasifika	9%	62%
Non-Māori and non-Pasifika	73%	82%
Under 25 yrs	49%	62%

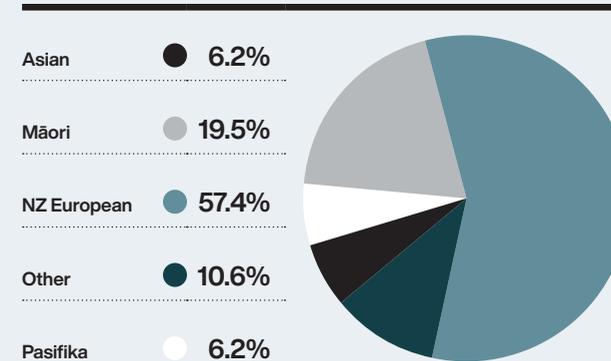
Number of learners by region at 31 December 2020

North Auckland	1,585	9.38%	Bay of Plenty	1,590	9.41%
West Auckland	1,293	7.65%	Central North Island	1,712	10.13%
Central Auckland	1,319	7.8%	Wellington	2,072	12.26%
South Auckland	1,635	9.67%	North South Island	2,625	15.53%
Waikato	1,501	8.87%	Rest of South Island	1,573	9.3%
Total	16,905	100%			

Net promoter scores in 2020

Apprentices	+42	Employers actively training	+42
Recently completed apprentices	+62	Employers of completed apprentices	+59
Non-completing apprentices	+33	All customers	+43

Learner ethnicity at 31 December 2020

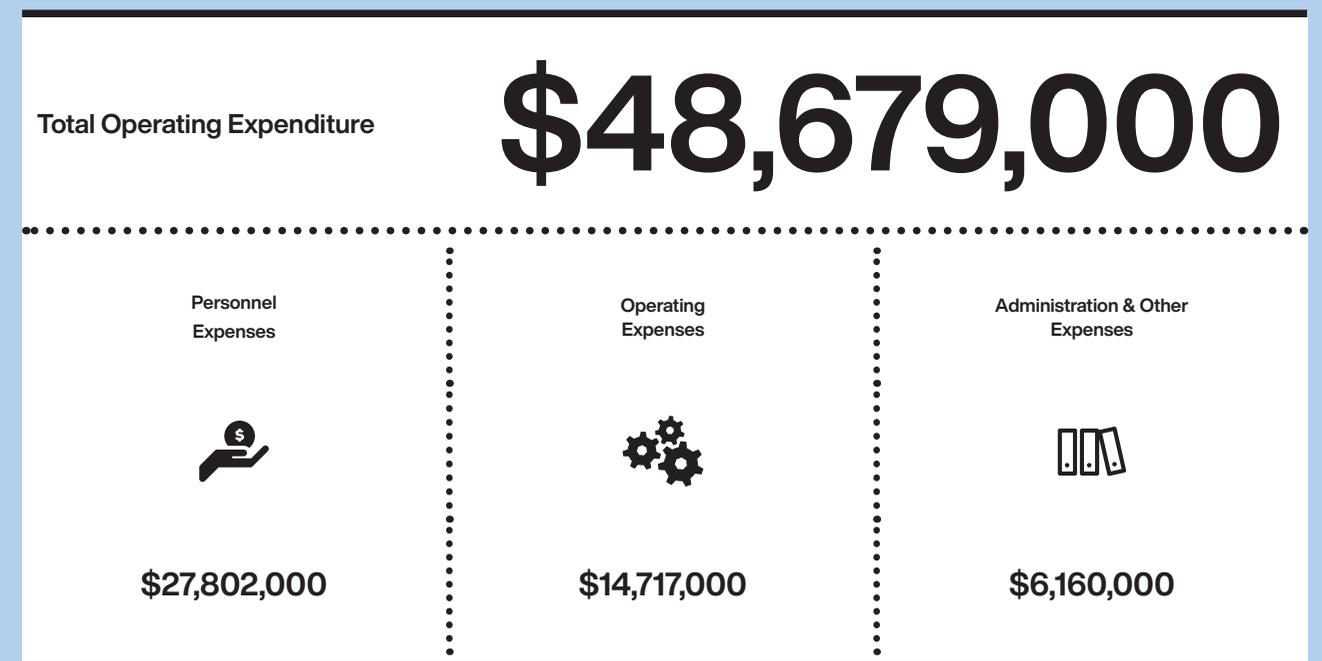
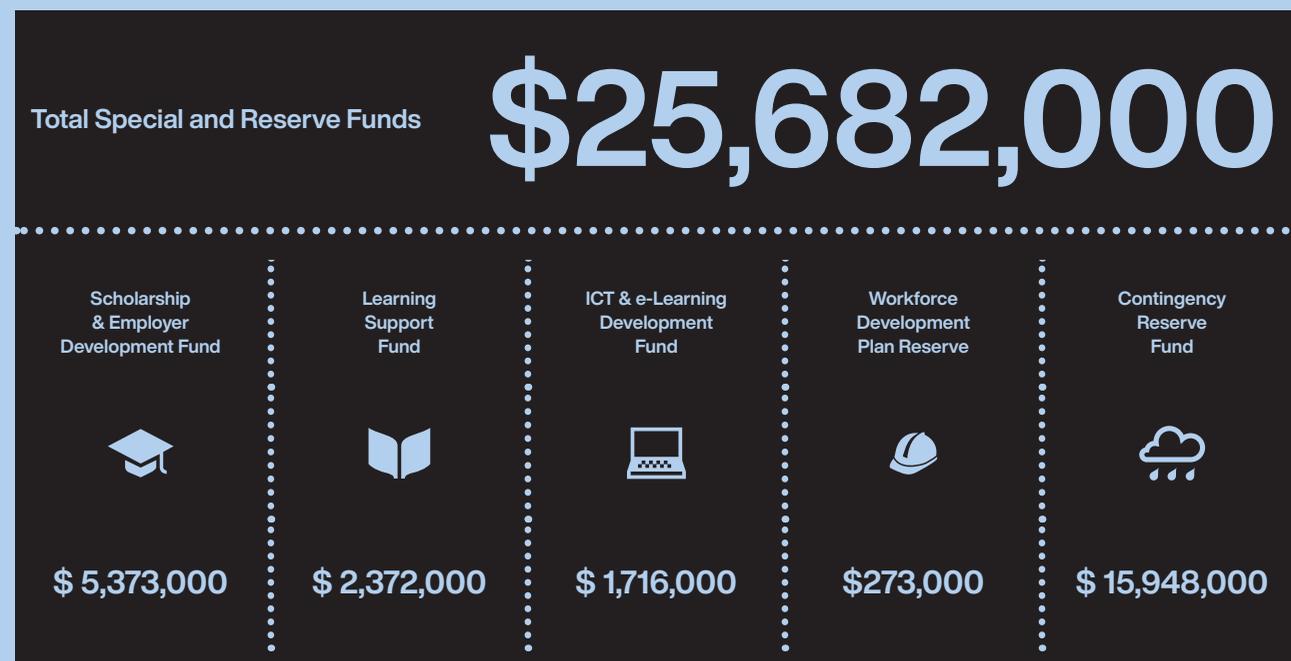
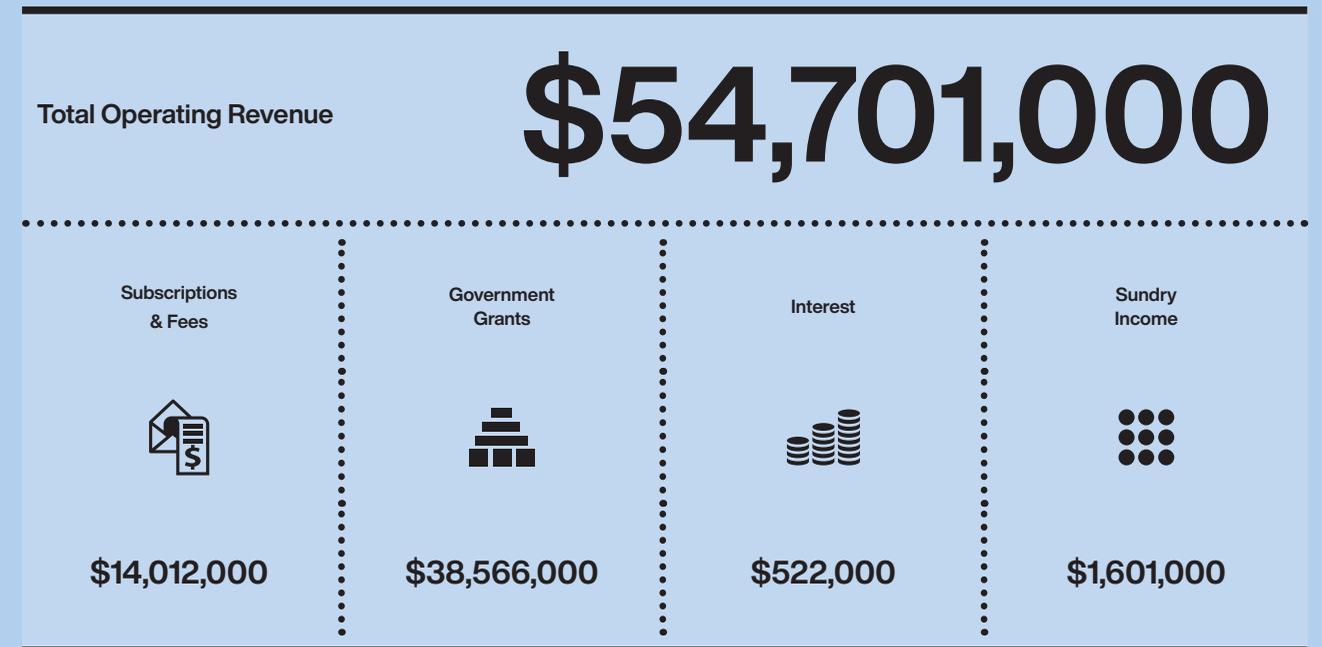
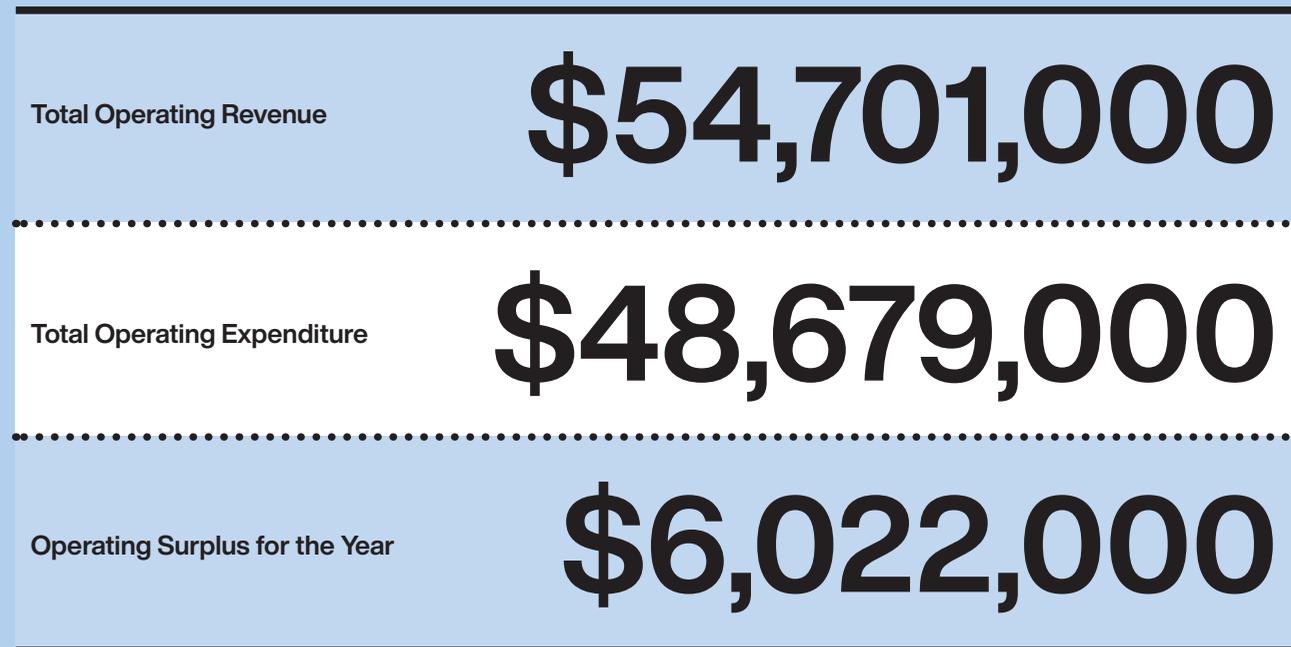


Completions

	2019	2020
Up-skilling industry participants	253	252
Gateway students	124	142
Trainees	2,930	2,983
Total	3,307	3,377

Financials clear and simple

For the year ended 31 December 2020



Auditor's report



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 financial statements, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended, and related notes, are derived from the audited financial statements of Building and Construction Industry Training Organisation (Inc) (the "ITO") for the year ended 31 December 2020. 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 25 March 2021.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which describes the effects of the Reform of Vocational education (RoVE) on the ITO. Our Opinion is not modified in respect of this matter.

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 the ITO 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 the ITO in the area of advisory services. The firm has no other interest in the ITO.

Restricted Use

This report is made solely to the Board Members, as a body. Our audit work has been undertaken so that we might state to the Board Members, as a body, 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 ITO and the Board Members, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

BR Smith

Partner
Wellington

25 March 2021

Chartered Accountants and Business Advisers
Member of Grant Thornton International Ltd.

Statement of Comprehensive Revenue and Expenses

For the year ended 31 December 2020

	2020 \$000	2019 \$000
REVENUE FROM NON-EXCHANGE TRANSACTIONS		
Government Grants	38,566	37,429
Subscriptions and Fees	14,012	11,959
REVENUE FROM EXCHANGE TRANSACTIONS		
Interest	522	642
Sundry Income	1,601	1,052
Total Operating Revenue	54,701	51,082
EXPENDITURE		
Personnel Expenses	27,802	27,516
Operating Expenses	14,717	17,079
Administration and Other Expenses	6,160	6,324
Total Operating Expenditure	48,679	50,919
Surplus for the Year	6,022	163
TOTAL COMPREHENSIVE REVENUE AND EXPENSES	6,022	163

Statement of Changes in Equity

For the year ended 31 December 2020

	2020 \$000	2019 \$000
RETAINED EARNINGS		
Opening Retained Earnings	6,121	4,235
Surplus for the Year	6,022	163
Total Comprehensive Revenue and Expenses	6,022	163
Transfer (to)/from Special and Reserve Funds	(5,840)	1,723
Closing Retained Earnings	6,303	6,121
SPECIAL AND RESERVE FUNDS		
Opening Special and Reserve Funds	19,842	21,565
Transfer from/(to) Retained Earnings	5,840	(1,723)
Closing Special and Reserve Funds	25,682	19,842
TOTAL MEMBERS' EQUITY	31,985	25,963

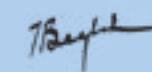
Statement of Financial Position

As at 31 December 2020

	2020 \$000	2019 \$000
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	5,588	3,468
Term Deposits	30,016	20,516
Receivables from Exchange Transactions	373	356
Receivables from Non-Exchange Transactions	1,388	2,400
Prepayments	1,283	1,605
Resource Production Inventory	191	273
Interest Receivable	152	136
Total Current Assets	38,991	28,754
NON-CURRENT ASSETS		
Property, Plant and Equipment	727	1,015
Intangible Assets	5,139	5,327
Total Non-Current Assets	5,866	6,342
TOTAL ASSETS	44,857	35,096
LIABILITIES		
CURRENT LIABILITIES		
Payables under Exchange Transactions	4,724	4,330
Subscriptions & Fees in Advance	6,638	3,766
Employee Entitlements	1,510	1,037
Total Current Liabilities	12,872	9,133
NET ASSETS	31,985	25,963
MEMBERS' EQUITY		
Retained Earnings	6,303	6,121
Special and Reserve Funds	25,682	19,842
TOTAL MEMBERS' EQUITY	31,985	25,963



Chair of Board of Directors
25 March 2021



Chief Executive
25 March 2021

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 year ended 31 December 2020

	2020 \$000	2019 \$000
CASH FLOW FROM OPERATING ACTIVITIES		
Cash was provided from:		
Grants (Non-Exchange Transactions)	38,435	37,955
Subscriptions and Fees (Non-Exchange Transactions)	17,844	13,838
Sundry Income (Exchange Transactions)	1,752	796
Cash was applied to:		
Payments to Employees	(26,254)	(26,848)
Payments to Suppliers	(19,478)	(23,797)
Net Cash Outflow from Operating Activities	12,299	1,944
CASH FLOW FROM INVESTING ACTIVITIES		
Cash was provided from:		
Interest	507	585
Cash was applied to:		
Purchase of Property, Plant and Equipment	(366)	(292)
Purchase of Intangibles	(820)	(1,096)
Net Movement in Term Deposits (greater than 90 days)	(9,500)	(7,500)
Net Cash Inflow from Investing Activities	(10,179)	(8,303)
Net Increase in Cash and Cash Equivalents	2,120	(6,359)
Add Cash and Cash Equivalents at Start of Year	3,468	9,827
CASH AND CASH EQUIVALENTS BALANCE AT END OF YEAR	5,588	3,468
CASH AND CASH EQUIVALENTS INCLUDE :		
Cash in Bank	5,588	3,468
TOTAL CASH AND CASH EQUIVALENTS	5,588	3,468

Notes to the Financial Statements

For the year ended 31 December 2020

Reporting Entity

These Financial Statements are for the Building and Construction Industry Training Organisation Incorporated (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. BCITO 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 2020.

The Financial Statements were authorised for issue by the Board on 25 March 2021.

Basis of Preparation

(a) Statement of Compliance

These 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.

Changes in Accounting Policy and Disclosures

The accounting policies adopted in the Financial Statements for the year ended 31 December 2020 are consistent with those of the previous financial year.

Notes to the Financial Statements

For the year ended 31 December 2020

1. Reform of Vocational Education

The Facts

The Education (Vocational Education and Training Reform) Amendment Act 2020 came into effect on 1 April 2020 (the Act). It amends the Education Act 1989 and repeals the Industry Training and Apprenticeships Act 1992 to create a unified and cohesive vocational education and training system.

The Act will see the role and function of Industry Training Organisations (ITOs), including BCITO, delivered by two unified organisations in the future. The arranging training functions will be transferred to a provider and the remaining functions including qualifications development, standard setting, moderation and others, transferred to a Workforce Development Council (WDC). The transition must be completed by 31 December 2022.

Qualifications development, standard setting, and other functions will transition to Waihanga Ara Rau, the Construction and Infrastructure WDC (CIWDC) along with other ITOs involved in the wider construction and infrastructure sector.

It is anticipated that BCITO's arranging training functions will transition to Te Pūkenga, the New Zealand Institute of Skills and Technology.

Impact on BCITO and Expected Timelines

On 1 April 2020, BCITO became a Transitional Industry Training Organisation (TITO) which is a change in title only as the Act replaces the legislation that has previously governed Industry Training Organisations. BCITO, as a TITO, will continue to operate in its current form until its functions transition to the new entities as outlined above.

BCITO has maintained open dialogue with Te Pūkenga since its establishment in April 2020 and has stressed the importance of effective transition of all necessary assets and capabilities to ensure there is no disruption to industry training.

Consequently BCITO staff involved directly with arranging training would transition to Te Pūkenga along with programme and resource development, operating systems, overhead functions, and assets that support arranging training. Transition would take the form of a "going concern" being a transfer of people, assets and liabilities into a subsidiary of Te Pūkenga.

BCITO expects that a transition of its arranging training activities, and the transition of qualifications development, standard setting and moderation activities to the CIWDC, would take place prior to 31 December 2021.

The legislation allows for ITO assets to be transferred to providers and to WDCs to facilitate the Review of Vocational Education (RoVE), notwithstanding what the founding documents 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 some or all of its cash reserves.

Notes to the Financial Statements

For the year ended 31 December 2020

Going Concern

Based on current discussions with Te Pūkenga, a transition would take the form of a transfer of operations and assets, commonly referred to as a going concern. The transition to the CIWDC will likely represent a transfer of people and some assets. Neither transition represents a transfer of legal title in BCITO itself.

As BCITO has over \$30m in reserves and retained earnings it is able to meet all obligations which may arise as a result of its eventual disestablishment and therefore tests of liquidity and solvency are easily met. A decision on the future of BCITO and its residual assets, including cash reserves, has not yet been made.

Based on the information above BCITO expects to continue as a going concern for the foreseeable future.

Potential Impairment of Fixed and Intangible Assets

Offices, and the majority of related assets including furniture, fittings, IT equipment used by staff, and intangible assets i.e. software, programmes and resources, would be part of any 'going concern' transition and occur at book value. Residual assets, predominantly located at National Office, that are not subject to transition are expected to have a minimal book value by the end of 2021. Therefore there is no material impairment expected on the carrying value of fixed and intangible assets.

Lease Commitments

As noted above, the transition of BCITO activities is expected to occur prior to 31 December 2021. It is BCITO's expectation that operating leases would form part of the 'going concern' transition and not remain obligations of BCITO itself. As at 31 December 2021, the amount of outstanding lease commitments totals \$2.5m as seen in note 2 Operating Lease Commitments.

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. Following the announcement of RoVE, BCITO advised employees at that time that it would continue to honour this practice should anyone be made redundant as a direct result of the reform.

The process by which employees will transition to Te Pūkenga and the CIWDC remains subject to negotiation with both parties. As the terms of transition have not yet been agreed, very little is known about the potential impact on specific positions. The criteria to recognise a redundancy liability has not been satisfied at this time as there is no formal plan for redundancy or any present obligation to specific parties. No expectation has been created of any plan at this time. As a result of this uncertainty we are unable to provide any estimate of the financial effect of any future redundancy.

Notes to the Financial Statements

For the year ended 31 December 2020

2. Operating Lease Commitments

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

	2020 \$000	2019 \$000
Not later than one year	1,172	1,192
After one year and not later than five years	1,063	1,168
TOTAL ACCOMMODATION LEASE COMMITMENTS	2,235	2,360

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

	2020 \$000	2019 \$000
Not later than one year	1,326	1,586
After one year and not later than five years	1,499	757
TOTAL EQUIPMENT AND VEHICLE LEASE COMMITMENTS	2,825	2,343

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

BCITO is not part of any group of entities and is therefore the ultimate controlling party in these financial statements.

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 there have been no other transactions with related parties in the year (2019: \$Nil).

	2020 \$000	2019 \$000
Board Member Fees	285	318
Board Member Expenses	18	49
TOTAL BOARD MEMBER FEES AND EXPENSES	303	367

Key Management Personnel

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

	2020		2019	
	\$000	FTE	\$000	FTE
Salaries, Short-term Employee and Termination Benefits	1,489	7	1,798	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 year (2019: \$Nil).

Other Related Party transactions

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

4. Subsequent events

There were no significant events after balance date requiring reporting or adjustment in these financial statements.

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He hunga hanga mātou

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