

27 June 2023

S9(2)(a)



Your request for Official information, reference: HNZ00016369

Thank you for your email on 14 April 2023, asking for the following which has been considered under the Official Information Act 1982 (the Act):

“Contingent workforce report’ that as of Oct 2022 was to be finalised in Nov 2022

Any subsequent update to that report

- *Including any decisions, actions, or recommendations arising from it*

If any of the above has previously been publicly released, pls provide links to that forthwith. If any of the above has previously been released under the OIA, pls release it now to RNZ as per the OIA regs and SOP.

Pls redact names of junior staff but include those of senior ones”

On 15 May 2023, Te Whatu Ora Health New Zealand advised you that we needed more time to make a decision on your request by 2 June 2023. This extension was required because the consultations and volume of information were such that a proper response could not reasonably be made within the original time limit.

On 2 June 2023, we advised you that we are granting your request and would provide a response once consultation had been completed by 3 July 2023.

Please see attached **Appendix 1** of the *Te Whatu Ora – Contingent Workforce Review (FINAL)*. We have decided to partially release the final version of the requested document. You will find that some information is withheld under section 9(2)(b)(ii) of the Act as, if released, it would be likely to prejudice the commercial position of the person who supplied or who is the subject of the information. The greater public interest is in ensuring that the commercial position can be maintained.

The attached **Appendix 1** includes a record of the actions accepted by management resulting from the report. Te Whatu Ora is working to action these recommendations by the dates indicated.

We note your request for any subsequent update to the Contingent Workforce Review. Please find the attached document titled, **Document 2 of HNZ00016369 – Excerpts from**

Management Update on Actions to CEO. This document outlines updates made from December 2022.

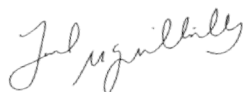
How to get in touch

If you have any questions, you can contact us at hnzOIA@health.govt.nz.

If you are not happy with this response, you have the right to make a complaint to the Ombudsman. Information about how to do this is available at www.ombudsman.parliament.nz or by phoning 0800 802 602.

As this information may be of interest to other members of the public, Te Whatu Ora may proactively release a copy of this response on our website. All requester data, including your name and contact details, will be removed prior to release.

Nāku iti noa, nā



Jared McGillicuddy
Internal Audit Manager, Internal Audit
TAS – Kāhui Tuitui Tāngata

To:	Sue Gordon, Acting Executive Director, Corporate Delivery Services, Te Whatu Ora	
From:	Jared McGillicuddy, Internal Audit Manager, Te Whatu Ora	
Copy to:	Margie Apa, Chief Executive, Te Whatu Ora – Health New Zealand	
Date:	16 December 2022	
Subject:	IA30-22-01 Te Whatu Ora – Contingent Workforce Review (FINAL)	

Purpose

The purpose of this review was to determine whether Te Whatu Ora has appropriate controls and/or planned management actions to address risks related to management of the contingent workforce transferred from the Manatū Hauora Ministry of Health (MoH), including identification of any opportunities to streamline recruitment of contingent workforce.

Background






Prior to 1 July 2022, Interim Health New Zealand initiated a novation process to transfer contractors (contingent workforce) from MoH to Te Whatu Ora. The process identified some inconsistencies and further investigation identified some risks relating to the contingent workforce. The day one transferring workforce included a contingent workforce of 1,127 positions which represented approximately half of the transferring workforce and was considered to be a higher proportion than expected. An internal audit review was immediately commissioned to review the processes and systems that existed and how the associated risk is being managed.





Overall Assessment

Overall, there are not the standardised organisation wide controls expected to appropriately manage risks relating to the contingent workforce. The Review identified wider improvements to ensure that Te Whatu Ora continues to make timely reductions in its contingent workforce numbers, including establishing robust processes to drive efficient and effective ongoing control and management of the contingent workforce. The current process has been able to manage down the contingent workforce numbers based on the contract renewal dates, or natural attrition where this occurs. There is however further opportunity for timely review and faster exiting of contracts if processes are established to review all contracts prior to contract renewal/extension dates.

While initial efforts to reduce contingent workforce numbers have been successful, services are now starting to reach a point where further reductions in numbers, due to restricted availability of permanent resources, will carry risks of impacting the speed of delivery of programmes. Workforce plans need to identify where the contingent workforce should be replaced with permanent resource, and where the contingent workforce is no longer required as the work they were undertaking has been completed.

Control ratings per the areas audited are:

Audit Focus	Policies and Procedures	Roles and Responsibilities	Systems	Management and Alignment	Strategy
Overall Rating					

Key	Description
	Good - Effective controls/activities in place that are consistent with expectations, no issues or low issues were identified
	Satisfactory - Partially effective controls/activities in place, no significant deficiencies, moderate issues identified, and some compensating controls exist
	Improvement Required - Partially effective controls/activities in place with scope for efficiencies, some moderate/high-risk issues were identified
	Significant Deficiencies - Ineffective controls/activities in place with significant high deficiencies impacting on quality and safety

Recommendations

It is important to recognise that the processes reviewed were in a high state of change through the current transition process. Te Whatu Ora and its support services are establishing structures, policies and procedures relating to how they work at the same time as delivering support services to the business. The review identified key recommendations relating to procuring and managing Te Whatu Ora's contingent workforce.

The review identified ten key recommendations relating to procuring and managing Te Whatu Ora's contingent workforce; these recommendations have been broken down into immediate/short term, medium term and long-term activities and have been summarised in Appendix 2. The recommendations are set out below, along with the responsible ELT member. The detailed audit findings are set out in Appendix 1.

Phase One: Immediate/Short Term Recommendations

- Ongoing Review by Management of the Contingent Workforce (responsibility – all ELT, note majority in D&D and NPHS):** the transferred contingent workforce employed needs to continue to be reviewed prior to contract renewal dates to speed up the process of reducing numbers, including the continual review in relation to budget, ongoing need and where appropriate, exit/change strategies implemented. This process is heavily reliant, as is the wider process, on the quality of the data available.
- Prioritise the establishment of clear contract policies and training for managers in using them (responsibility – P&C):** Te Whatu Ora policies need to be established covering how the contingent workforce is engaged and managed, and prioritisation of employment strategies relating to permanent/secondment/fixed term/consultant.
- Strengthen Onboarding and Offboarding Processes (responsibility – P&C):** ensure all contractors/consultants are engaged and managed through the standardised process with a central registration, review and approval point.
- Establish a Centralised Contingent Workforce System (responsibility – P&C):** establish a centralised contingent workforce data repository (single source of the truth) as a subset of wider workforce data. This is key in the short term to having an efficient and effective process, informing decisions and to act as a minimal viable product until comprehensive systems are established. All contingent workers should be required to be registered and managed via the repository.
- Regularly monitor compliance with policies and management of the resources (responsibility – CE through Head of Assurance):** monitor on an ongoing basis the compliance of services to policy and central registration of contingent workforce data, with the goal of ensuring high quality data is maintained.

Phase Two: Medium Term

- Monitor Ongoing Contractor Performance (responsibility – all ELT):** monitor contractor performance and the ongoing need to retain against clear specifications and identify exit pathways where contractor need is reducing or no longer needed.

7. **Analysis and Setting Actions (responsibility – all ELT, with oversight/advice from P&C):** analyse the current contingent workforce composition against expectations and set strategies to shift the workforce mix to align with these (e.g. length/term of contractors, breakdown of contingent workforce across services, contractor rate cards/spread and alignment to the market).
8. **Monitoring and Reporting on Actions (responsibility – CE through Head of Assurance):** regularly monitor and report on the effectiveness of the identified actions, with these being a quarterly item reported to ELT.

Phase Three: Long Term

9. **Workforce Planning and Strategies (responsibility – P&C):** set workforce plans and supporting strategy to inform a longer horizon of staffing needs, ensuring best long-term outcome for the organisation (e.g. development of internal skills and capability, lower long-term costs, retention of key intellectual properties).
10. **Implement Contract Management System and HRIS (responsibility – P&C/Finance (Procurement)/Data & Digital):** implement an appropriate CMS and HRIS that meets the needs of Te Whatu Ora given the complexity and scale of the organisation. The system should utilise/leverage the minimal viable product requirements defined by the data repository within the Phase One activities.

Appendices

Appendix 1: Detailed Audit Focus Areas Findings

Appendix 2: Contingent Workforce Review Recommendations Summary

Detailed Audit Focus Areas

Audit focus 1: Policies and Procedures

Standard: *That requirements and expectations are clearly defined within policies for the management of the contingent workforce, including a clear definition of what constitutes a contingent worker. Policies and procedures are approved, are accessible and have visible support from Management. Procedures to implement policies are clear and have been effectively communicated to all employing managers.*

Summary

At the time of the Review Te Whatu Ora had yet to establish organisation wide policies or procedures for the management of contractors/contingent workforce. Reviewing Day 1 policies, none of these were identified to relate specifically to the management of contractors/contingent workforce. It was identified a policy harmonisation process was occurring via the Executive Leadership Team to harmonise corporate policies across Te Whatu Ora. It is recognised this is a complex process with a number of stakeholders the planned approach is to harmonise policies via clusters done in parallel. A policy relating to “Contractors” exists under the People and Capability cluster and “Procurement and Contracts” under the Procurement cluster. Assurance recommends priority be placed on review of these policies within the policy harmonisation process and the associated implementation. **Refer to Recommendation 2**

Currently there is not a clear definition on what constitutes a contingent workforce to ensure all associated resources are consistently identified and managed across the organisation. As an example, Data and Digital has taken a comprehensive approach in including directly employed contractors and fixed term resource as well as consultants working under statements of work, which often appear as hidden resource. Other areas such as National Public Health Service are currently not adopting such a comprehensive approach. **Refer Recommendation 1**

In regard to the transferred MoH contingent workforce, in the absence of established Te Whatu Ora policies each area is managing the workforce via self-defined processes based on the custom and practice MoH processes. On further inquiry, a majority of interviewees stated the processes were historically not well controlled during COVID-19 with a focus on immediate response rather than following due process.

While there is no approved policy or procedures relating to the management of the contingent workforce, there are high level guidelines that exist on the Te Whatu Ora intranet.

Audit focus 2: Roles and Responsibilities

Standard: *That the roles and responsibilities for the management of the contingent workforce have been appropriately assigned and accepted, consistent with RASCI (Responsible, Accountable, Support, Consulted and Informed). This means that employing managers, People & Capability, Procurement, Finance and all roles involved with recruitment, budgeting, monitoring, oversight, delivery and payment of contingent workers are aware of their roles. Also, that all parts of the process for management of the contingent workforce have been identified and allocated to ensure effective end-to-end management.*

Summary

There is currently not a centralised joined-up process that clearly defines the roles relating to responsibilities, accountabilities, support, consultation and being kept informed across the various services required to manage the contingent workforce. There is an expectation that the various stakeholders the employing service, People and Capabilities, Procurement, Finance and Data and Digital all have a role to play **Refer to Recommendation 3.**

Data and Digital

The roles for the management of the contingent workforce within Data and Digital currently reside within the directorate with support from People and Capability via the HR Business Partner. Clear roles and authority have been set by the Interim Lead, Data and Digital within the directorate, including the management, monitoring and approval levels for the contingent workforce. A strong relationship exists with the HR Business Partner and effective functional support was evidenced to be occurring. While programme managers are accountable for delivery of programmes, associated resourcing and invoicing aligned with budgets, the responsibility to approve all contingent workforce positions resides with the Interim Lead, Data and Digital. The review recognises this as a strong control in the interim period. The contracts are managed by the Data and Digital Portfolio Resourcing & Commercial Team who work with the services to maintain contracts in **s 9(2)(b)** with a link to FPIM.

National Public Health Service

The roles for the management of the contingent workforce within the National Public Health Service currently reside within the directorate with support by People and Capability via the HR Business Partner. Clear roles and authority have been set within the directorate by the National Director, National Public Health Service, including the management, monitoring and approval levels for the contingent workforce. A strong relationship exists with the HR Business Partner and programme directors (such as National Immunisation Programme and Outbreak Response) with effective functional support evidenced to be occurring. Administration support has clear roles around management of the onboarding and off boarding, with the capturing of Contractor and Consultant Approval Forms and subsequent Recruitment/Consultant Service Orders. There have been some challenges experienced around changes in the delegation of authority with approvals now moving a level higher than what had historically existed within MoH, these have been worked through and resolved with authority now residing with programme directors.

Integration With Wider Support Services

There is ongoing work needed and occurring to strengthen the finance support with improved budget management and evolving procurement support. Future Procurement support improvements have been identified as a part of standing up the wider organisational function, though no specific activities or timelines were evidenced to have yet been set. There is further opportunity as a part of establishing approved policies and supporting procedures to streamline the management of the contingent workforce, making sure wider roles such as connection to Procurement and Finance are clearly defined and in doing so ensuring they are aligned for effective end-to-end management.

On and off-boarding processes could be strengthened

It is essential that Te Whatu Ora has processes to engage and release contingent workforce (on and offboarding), including access to IT systems, building access, and the return of property. It was noted that not all areas had on or off-boarding checklist with specific requirements for engaging or releasing contingent workforce. **Refer Recommendation 3.**

Audit focus 3: Systems

Standard: *That appropriate systems are in place to capture and inform/monitor appropriate actions relevant to the contingent workforce. Information is timely, accurate and complete and there is a 'one source of the truth' to ensure all stakeholders are using the same data. Contingent workforce can be readily identified based on appropriate data quality, with detailed reporting available via contract management functionality to support strategic contingent workforce management. Systems are integrated allowing a joined-up view of contingent workforce across functions.*

Transition Data

During the transition process, it was identified that there was not a complete view of the contingent workforce. As such, a repository was established to accurately track and record an accurate listing with relevant details to enable the transition of the contingent workforce from MoH to Te Whatu Ora, although this has not been maintained post-transition.

People and Capability implemented a workaround for the medium term of capturing all contractors within the § 9(2)(b)(ii) payroll system as non-employees, allocating class 100 to contractors and 101 to secondment workforce. The Review identified while the process has been implemented for 1-2 months there were several contractors (including within those transitioned) that didn't appear within the AMS data. This brings into question the accuracy and value of the current workaround. **Refer Recommendation 4.**

Data and Digital

Out of necessity for providing an internal view of their contingent workforce for decision-making purposes, and in the absence of an existing contract management system that could provide 'one source of the truth', Data and Digital developed a § board in mid-2021. The board was developed for recording information on their contingent workforce and is used for workflow tracking of contracts as well as ongoing monitoring and reporting. A § 9(2)(b) dashboard was created in August 2022 with reporting generated from §. The dashboards include separating out 'Contractors/Consultants' and 'Outsourced Vendors' to give a more detailed view of the contingent workforce makeup and enables overall trends of numbers by cost centres to be easily identified and actions implemented as applicable. A monitoring report is issued weekly on the data and trends, including contractor/consultants and out-sourced (Vendors) movements, over the last week and since 30 June 2022.

Although the use of § (and associated dashboard) has enabled Data and Digital to have data and insight, this is strictly limited to themselves as it is not an approach or tool that is shared organisation wide. This approach demonstrates a current workaround given the lack of an appropriate organisation wide contract management system, the review supports the immediate use of the current minimum viable product until an organisation wide contract management system is established **Refer Recommendation 10.**

Repositories for Data and Digital have been established to centrally capture and file Contractor and Consultant Approval Forms, Recruitment Service Orders and Consultant Service Orders. The review noted this to be occurring. The review was informed that projects and programmes have added finance and resource elements to § 9(2) (EPMO Tool) to allow for significantly improved forecasting across the Data and Digital delivery portfolio, this wasn't tested as a part of this review.

National Public Health Service

National Public Health Service uses the § 9(2)(b) system to capture fixed term contractors but doesn't include contractors and consultants under statements of work. The wider consultant related contingent workforce information is less transparent and more onerous to obtain. As an example, manual headcounts have been performed within the Outbreak Response programme because they were not able to reconcile figures. This reflects the current situation of having information in different systems, with there being discrepancies between systems. **Refer Recommendation 5.**

Repositories for National Public Health Service have been established to centrally capture and file Contractor and Consultant Approval Forms, Recruitment Service Orders and Consultant Service Orders.

Organisation Wide Systems

A Contract Management System (CMS) is needed as well as an HRIS which will align with the wider Te Whatu Ora organisational needs. It is recognised that it will take time to implement a fit for purpose system, but this is important given how critical the system is to effective management of capability within the organisation. These systems have the potential to improve value for money, supporting the promotion of competition, and benchmark and negotiation of pay rates. Further the systems will enable streamlining of invoice processing and ensure correct supplier rates are charged. **Refer Recommendation 10**

Audit focus 4: Management and Alignment

Standard: *There are effective processes in place to align the contingent workforce transition process, with appropriate management involvement and oversight, including identification and resolution of issues. Appropriate processes have been undertaken for novation regarding clear and detailed processes to ensure all contracts are novated. Processes are in place to ensure commitments for all contingent workforce roles are aligned in relation to contract duration and funding via transition budgets.*

Summary

Data and Digital and NPHS have changed their onboarding and contract renewal and extension processes, to ensure they align with the strategy of managing down overall contingent workforce numbers in line with Te Whatu Ora goals. The process has been able to manage down the contingent workforce numbers based on the contract renewal dates, or natural attrition where this occurs. However, there is further opportunity for timely review and faster exiting of contracts if processes are established to review all contracts prior to renewal/extension dates.

As part of the onboarding process, any request to recruit a new contingent worker requires an order to be raised and approved by management with appropriate delegated authority, which is currently set as Tier 3. People and Capability requires evidence of the order and appropriate approval. The order is the linking document between the recruitment/service provider, the participating agency, and the services agreement.

Data and Digital

Within Data and Digital, contract renewal and extension decisions for those contracts with upcoming expiry dates are sent to SLT on a weekly basis to be evaluated against factors such as the specific delivery impacts of releasing the contract, whether the market has been tested, and any potential unintended consequences including loss of knowledge that may inhibit delivery. The SLT also discuss recruitment strategies and whether the individual can be replaced with non-contingent workforce (permanent appointment or sector secondment), which ensures value for money is a consideration in decision-making. If the SLT make a collective leadership decision that there are no better options than retaining or engaging the contingent worker, then the decision for approval is escalated to Interim Lead, Data and Digital.

Although this process does create a bottleneck via the SLT and Interim Lead, it has been successful at implementing an effective control to challenge and ensure appropriateness of ongoing contractors. This has changed what appeared to be an ongoing practice of almost automatic contract rollovers. Data and Digital have succeeded in reducing the previous extensions of contracts and reducing their overall contingent workforce numbers. As at the time of this review Data and Digital had exited 97 contract positions, approximately a 13% decrease since 1 July 2022. This number is however offset by programmes that are still scaling up (such as Cyber Uplift programme) resulting in a net change of 82 contract positions (week ending 21 October 2022). It is important to acknowledge that the scale of programmes that exist, linkage to delivery of required programmes and business outcomes, provide a challenge to the overall strategy to reduce contractor numbers.

The decision by Data and Digital to ensure SLT collectively discuss contractor roles has meant that there is an improved understanding of what roles can be let go or transitioned to permanent, and what roles are likely to stay as contractors in the longer term. This is due to certain roles being almost exclusively performed by contractors in the market, with limited appetite amongst those people to transition to permanent roles. In the past attempts to make some roles permanent has resulted in slowed delivery as permanent replacements were either delayed or not found. As shown strategies adopted to change the workforce mix also carry the risk of changing the speed of delivery of approved programmes, the appropriateness of this will need to be worked through on a case-by-case basis by management in line with business objectives.

Current review processes of the contractors are driven by the renewal date, meaning positions are not reviewed for appropriateness until nearing the end of the contract term. This is due to the volume of contracts and capacity/ability to appropriately review, as contracts do contain a 10-day termination clause there is an opportunity to intensify the contract review process and potentially speed up exiting contracts where appropriate **Refer Recommendation 1.**

National Public Health Service

The contingent workforce under the National Public Health Service is largely made up of the workforce under the National Immunisation Programme, which includes the COVID immunisation and additional screening unit, and Outbreak Response. Contract positions are linked to appropriated funding and budget.

The National Immunisation Programme is a blended model of having a small team of permanent people that came through from the MoH and a large digital contingent workforce to help drive the programme. The volume

of the contingent workforce has decreased over the last 12 months. What came over in the transition July were contractors that were extended until December 2022 to align with the approved funding base. The budget sits with the programme manager who has the relevant authority to approve the associated spend. The contingent workforce will shrink further as the programme moves into January through to July because of changing workload.

The Outbreak Response programme lead is working through a process of moving the current contingent workforce to a sustainable model. The programme at 1 July 2022 received approximately 250 FTE from MoH and significant downsizing has already occurred through exiting contracts and attrition (driven by short contract lengths aligned with funding). The programme is going through a process at the moment to design the future structure based on some imminent Cabinet decisions, and then work through a process with the National Director to get approvals to extend essential contracts to help provide certainty.

There is a focus on getting to the 'right size' for next year, trying to retain talent, keeping people within the organisation who the programme wants to develop and moving people on to more sustainable terms and conditions.

Risk of being overcharged when engaging contingent workforce

The Review found that hiring managers do not consistently have sufficient information to benchmark pay rates when negotiating contingent workforce engagements. It was noted that there is a wide variety of rates being charged by individual vendors and there is an opportunity for Procurement to support improved strategic engagement with vendors setting standardised rate cards. This also helps streamline current processes for management if contingent workforce is needed as a course of last resort to fill resourcing needs. Te Whatu Ora has the scale to drive better commercials and ensure fair rates are charged.

Long tenure of contingent workers

It is likely that a number of the contingent workforce from MoH have been engaged for a significant period without reviewing the role to determine why the initial contractual term was previously rolled over. The review identified that in combination with the challenges around contingent workforce data (quality and what exists) based on the transition data, 33 contractors were identified to have tenures greater than 2 years and a further 598 contractors had unknown start dates which could mean this number is significantly higher. It was noted that within these numbers is a large contingent workforce being used for significant projects where a programme/project may run for a number of years

Understanding whether contingent workforce represents best value compared to other recruitment options, such as permanents, secondments or temporary employment, is important. Contingent workers are engaged under different working conditions to employees. Long tenure can pose an industrial relations risk to Te Whatu Ora because contingent workers may believe that they are entitled to the same working conditions as employees.

Finance

Due to the lack of detailed data that was provided by MoH at the time of transition, it has been difficult for Finance to adequately interrogate the financial information and effectively link them to the transferring contingent workforce details. This has been largely due to the appropriation-based accounting adopted within MoH. It would have been reasonably expected that the budgetary information would have included appropriately detailed contingent workforce FTE, positions, rates and other relevant contractual information. As the budget information passed across is at a higher cost centre level, there is ongoing retrospective work required to establish the base information to appropriately support Te Whatu Ora operations. As an initial step, Finance has set budgets on a pro rata basis until they can perform effective data analysis to appropriately rebuild budgets. **Refer to Recommendation 1.**

Finance has also identified that ownership and accountability for cost centres containing contingent workforce is still a challenge internally due to the fluid nature of the current Te Whatu Ora structures, though this is starting to take shape with greater certainty. It is also expected that once appointments occur and FPIM is fully implemented that this will allow improved structure and control.

Monitor the performance of contingent workers

The review was not able to identify a standardised system in place to monitor the performance of the contingent workforce at a Te Whatu Ora level to ensure that each contractor and consultant is delivering value for money. Hiring managers are not currently required to evaluate and document whether contingent workers deliver the services for which they are hired. This means contingent workers who are not performing may be re-hired by other managers. With the implementation of a contract management system via Procurement, there is the means to capture agency-wide information on the performance of contingent workers. **Refer to Recommendation 6.**

Audit focus 5: Strategy

Standard: *There is an appropriate Workforce Strategy relating to the contingent workforce that outlines targeted numbers for the organisation as a whole, and across all relevant areas, for an appropriate timeframe. The Strategy clearly stipulates how the transition is to occur. There is internal alignment to the overall strategy with individual areas having detailed plans of how to achieve targets, with actions, accountabilities and monitoring in place. Organisation-wide monitoring and reporting is in place to ensure targets are being met with appropriate actions in place where issues are identified.*

Summary

Contingent workforce should only be used when it is the most efficient and effective option available to respond to Te Whatu Ora business needs and should be informed by robust workforce planning.

There is a need for a contingent workforce strategy to be adopted more widely within Te Whatu Ora as a part of the transition process to reduce spend in this area. **Refer to Recommendation 7.** This strategy could focus on areas like:

- prequalification scheme – working only with approved list of suppliers e.g. compliance with AoG approved recruitment suppliers;
- vendor/contract management system – an information system to capture data and provide the foundation for managing the contingent workforce; and
- managed service providers – effective management of service relationships and leveraging the new scale of Te Whatu Ora to drive competitive positions on service-related contractors, e.g. discounted rate cards through better negotiation and benchmarking of pay rates.

None of the areas reviewed were able to demonstrate that the contingent workforce transitioned to Te Whatu Ora Day 1 was the best resourcing strategy to meet business needs or achieved the required cost/benefit position (delivered value for money). The key reasons for this are:

- Te Whatu Ora's use of contingent workforce is not informed by workforce planning at an entity wide level;
- in general, there is limited oversight of the contingent workforce, and the information is not reliable or accurate, reports are onerous to produce, and there is limited reporting; and
- none of the directorates can demonstrate that they routinely monitor and centrally document the performance of contingent workers to ensure services are delivered as planned, with value for money consistently confirmed.

Combined, these factors make it difficult to ensure contingent workforce is engaged only when needed, at reasonable rates, and delivers quality services. Better workforce planning and performance monitoring enabled by good data is needed to ensure the contingent workforce meets business needs and represents value for money **Refer Recommendation 8.**

Linkage of contingent workforce to organisational level workforce plans

At the time of the review there were no directorate level workforce plans. The need for such plans was widely acknowledged particularly within People and Capability. Further the ability to set such plans effectively was limited by the current structural decisions yet to occur within Te Whatu Ora and wider via government appropriations. It is only once expectations are set and funding is approved can corresponding plans for resourcing be set.

However, within this context, directorates were still able to demonstrate that they were actively monitoring their use of contingent workforce, including how it is being used to address any skill gaps and balancing level of use/channel vs delivery demands. The workforce plan helps hiring managers to make decisions on the best resource strategy to meet their business needs. This is important because contingent workforce should only be engaged after considering all other recruitment options (prioritising permanent staff and secondments) and alignment with the organisation's workforce plan. **Refer Recommendation 9.**

Appendix 1: Recommendations and Responses – Contingent Workforce Review

The recommendations are assessed by risk priority (RP) and efficiency priority (EP) for each observation, as follows:

Rating	Risk Priority (RP)	Efficiency Priority (EP)
High (H)	A significant weakness that could compromise internal control and which should therefore be addressed as a matter of urgency	A recommendation that provides significant efficiency benefits, or can be implemented immediately
Medium (M)	An issue which can undermine the system of internal control and should therefore be addressed, but with a lower priority than 'High'	A recommendation that provides reasonable efficiency benefits, which can be implemented immediately or at least in the short term
Low (L)	A weakness that does not seriously detract from the system of control, but which should nevertheless be considered by management	A recommendation that provides reasonable efficiency benefits but can only be implemented in the medium to long term due to system constraints, cost, etc.

As discussed during the Contingent Workforce Review, the following are recommendations and/or opportunities for improvement to Te Whatu Ora's systems and process of internal control.

Ref. No	Suggestion	Management Response	Responsibility	Timeframe to complete
1. RP: M EP: L	<p>On Going Review of Contingent Workforce</p> <p>In relation to the contingent workforce transitioned from the MoH, this cohort and any new contingent workforce employed directly post 1 July 2022 needs to be continued to be reviewed in relation to budget, ongoing need and where appropriate, exit strategies implemented. This process is heavily reliant, as is the wider process, on the quality of the data available (or retrofitted where missing).</p> <p>A working group needs to be setup to facilitate and monitor the alignment of processes to support this timely review, driving activities through SROs to review and validate if budget and continued business need exists.</p>	<p>Accept</p> <p>A working group will be established (including a supporting plan) to address review recommendations, including updating the picture of the ~1,100 contractors working in our national corporate office.</p>	ELT (note majority in D&D and National Public Health Service)	31/03/2023

Ref. No	Suggestion	Management Response	Responsibility	Timeframe to complete
2. RP: H EP: M	<p>Contingent Workforce Related Policies</p> <p>Priority be placed on establishing contract policies that clearly set out expectations for how contingent workforce are engaged and managed within the organisation, including prioritisation of employment strategies relating to permanent/seconded/fixed term/consultant.</p> <p>Ensure all hiring managers are trained on the pathway to bring in/manage a contractor under the common approach and aware of their responsibilities as per policy.</p>	<p>Accept</p> <p>A contingent workforce policy will be developed and implemented.</p>	P&C	30/06/2023
3. RP: H EP: L	<p>Onboarding and Offboarding Processes</p> <p>Strengthen contingent workforce onboarding and offboarding processes, including induction, responsibilities, delegations (if any), conflict of interest, access to premises and ICT systems. Ensuring all contractors/consultants are engaged through the standardised process with supporting evidence retained. As a part of managing the ongoing quality of data within the contingent workforce data repository, make it mandatory that all contingent workers are required to be registered and managed within the repository.</p> <p>Clearly identify and assign responsibilities for the ongoing management of the repository (recruitment) and associate stakeholder roles across the contingent workforce life-cycle (contracting service, procurement etc), ensuring there are no gaps in roles within the process.</p>	<p>Accept</p> <p>A policy and procedure will be established to ensure there is a consistent approach across Te Whatu Ora to the onboarding and offboarding of contingent workforce. This will be based on existing practice / existing policies / evidence of best practice – likely to be D&D and strengthened Te Whatu Ora standard onboarding and offboarding materials.</p>	P&C	30/06/2023
4. RP: H EP: L	<p>Centralised Contingent Workforce Data</p> <p>Establish a centralised contingent workforce data repository (single source of the truth), as a subset of wider workforce data. This is key to the whole process and to act as a minimal viable product until a comprehensive Contract Management System (CMS) and HRIS has been implemented in the future.</p> <p>Clearly identify what contingent workforce data is needed as a minimal dataset (SRO, start date, rate, function/business need rational etc). This will align with that required to support the future CMS & HRIS system requirements and what is needed to support immediate operational activities, such as management queries to inform decisions and meet wider reporting needs.</p>	<p>Accept</p> <p>Will establish a single source of truth for information on our contingent workforce for Te Whatu Ora – initially for national corporate office. This will include evaluating the use of potential interim approaches and platforms (e.g. Auckland solution and corporate payroll).</p>	P&C	30/06/2023
5. RP: L EP: H	<p>Monitoring Compliance</p> <p>Monitor on an ongoing basis the compliance of services to policy and central registration of contingent workforce data with Recruitment, with the goal of ensuring high quality data is maintained. Correct any service deviations from the expected process.</p>	<p>Accept</p> <p>Once policy and processes have been implemented then assurance activities will be scheduled for monitoring compliance, including protocols for updating data over time.</p>	CE (Head of Assurance)	30/06/2023

Ref. No	Suggestion	Management Response	Responsibility	Timeframe to complete
6. RP: M EP: H	Monitor Ongoing Contractor Performance Monitor contractor performance and ongoing need to retain, against clear specifications (against those agreed at time of contracting services) and identify exit pathways where contractor need is reducing or no longer needed.	Accept The new policy and supporting processes will include the monitoring of contractor performance.	ELT	30/06/2023
7. RP: M EP: L	Analysis and Setting Actions Analyse the current contingent workforce composition against expectations and set strategies to shift the workforce mix to align with these. Possible analysis of composition could include but not be limited to length/term of contractors, breakdown of contingent workforce across services, contractor rate cards/spread and alignment to the market.	Accept Appropriate governance and management structures will be established to support effective medium-term management of our contingent workforce. The improved data captured will be analysed and reported through this structure.	All (with oversight/advice from P&C)	30/06/2023
8. RP: M EP: M	Monitoring and Reporting on Actions Regularly monitor and report on the effectiveness of the identified actions, with these being a quarterly item reported to ELT.	Accept On going monitoring and reporting will occur to the governance and management structures, assurance over delivery of actions (and progress) will occur aligned with cyclical monitoring processes.	CE (Head of Assurance)	30/06/2023
9. RP: H EP: L	Workforce Planning and Strategies Set workforce plans and supporting strategy to inform a longer horizon of staffing needs, ensuring best long-term outcome for the organisation (development of internal skills and capability, lower long-term costs, retention of key intellectual properties). These strategies need to be developed through People and Culture Business Partners engaging and facilitating the processes with services.	Accept Organisational development / workforce development initiatives/plans will be developed to ensure sustainable workforces exist in areas of high contingent workforce use.	P&C	30/06/2024
10. RP: H EP: L	Implement CMS and HRIS Implement an appropriate CMS and HRIS that meets the needs of Te Whatu Ora given the complexity and scale of the organisation. The system should utilise/leverage the minimal viable product requirements defined by the data repository requirements within the Phase One activities.	Accept Interim solutions will be aligned to long term enduring architecture (e.g. HRIS) and migrated when these are implemented.	P&C/Finance (Procurement)/Data & Digital	30/06/2026

Appendix 2. Te Whatu Ora - Contingent Workforce Review Recommendations Summary

There is significant ongoing work needed to actively manage the contingent workforce that has been brought across from the MoH, as well as the alignment and strengthening of the ongoing management process for the wider contingent workforce. The required recommended activities to occur have been broken down into three prioritised phases, representing the following;

(Phase One) Immediate/Short Term

Requirements/activities required to establish initial base level of controls for Te Whatu Ora and support the current transition/immediate change processes. These need to be prioritised immediately and actioned, laying the foundations for next steps and also provides immediate benefit.

(Phase Two) Medium Term

These are activities that require more consultation and engagement across support services (People and Culture, Procurement etc) to establish aligned activities to appropriately manage the contingent workforce. These can be addressed in the medium term.

(Phase Three) Long Term

Strategically important activities that are more complex, requiring wider consultation/engagement and higher investment.

(Phase One) Immediate/Short Term

1. In relation to the contingent workforce transitioned from the MoH, this cohort and any new contingent workforce employed directly post 1 July 2022 needs to be continued to be reviewed in relation to budget, ongoing need and where appropriate, exit strategies implemented. This process is heavily reliant, as is the wider process, on the quality of the data available (or retrofitted where missing). A working group needs to be setup to facilitate and monitor the alignment of processes to support this timely review, driving activities through SROs to review and validate if budget and continued business need exists.
2. Priority be placed on establishing contract policies that clearly set out expectations for how contingent workforce are engaged and managed within the organisation, including prioritisation of employment strategies relating to permanent/secondment/fixed term/consultant. Ensure all hiring managers are trained on the pathway to bring in/manage a contractor under the common approach and aware of their responsibilities as per policy.
3. Strengthen contingent workforce onboarding and offboarding processes, including induction, responsibilities, delegations (if any), conflict of interest, access to premises and ICT systems. Ensuring all contractors/consultants are engaged through the standardised process with supporting evidence retained. As a part of managing the ongoing quality of data within the contingent workforce data repository, make it mandatory that all contingent workers are required to be registered and managed within the repository. Clearly identify and assign responsibilities for the ongoing management of the repository (recruitment) and associate stakeholder roles across the contingent workforce life-cycle (contracting service, procurement etc), ensuring there are no gaps in roles within the process.
4. Establish a centralised contingent workforce data repository (single source of the truth), as a subset of wider workforce data. This is key to the whole process and to act as a minimal viable product until a comprehensive Contract Management System (CMS) and HRIS has been implemented in the future. Clearly identify what contingent workforce data is needed as a minimal dataset (SRO, start date, rate, function/business need rational etc). This will align with that required to support the future CMS & HRIS system requirements and what is needed to support immediate operational activities such as management queries to inform current decisions and meet wider reporting needs.
5. Monitor on an ongoing basis the compliance of services to policy and central registration of contingent workforce data with Recruitment, with the goal of ensuring high quality data is maintained. Correct any service deviations from the expected process.

Benefits

- Continued immediate and coordinated focus on reduction of the contingent workforce and associated savings.
- Improved processes and systems for onboarding the contingent workforce, that are consistently applied.
- Creation and ongoing maintenance of good quality data via a single source of the truth. This will enable ease of, and confidence in, an accurate response both internally (Board/Executive) and externally (information requests).
- Centralised accurate data for prompt responses to media, Ministers, Board and Executive queries relating to contingent workforce.
- Ability to efficiently identify areas within the contingent workforce requiring attention and to monitor performance of associated strategies to address.
- Centralised contingent workforce repository can be used to capture quality of the contractors' work and used as part of future reference checks.

(Phase Two) Medium Term

6. Monitor contractor performance and ongoing need to retain, against clear specifications (against those agreed at time of contracting services) and identify exit pathways where contractor need is reducing or no longer needed.
7. Analyse the current contingent workforce composition against expectations and set actions to shift the workforce mix to align with these. Possible analysis of composition could include but not be limited to length/term of contractors, breakdown of contingent workforce across services, contractor rate cards/spread and alignment to the market.
8. Regularly monitor and report on the effectiveness of the identified strategies, with these being a quarterly item reported to ELT.

Benefits

- Ensures value for money and that the contingent workforce is only used where required.
- Clear strategies are identified and approved on good quality data and monitored to ensure actions to change occur.

(Phase Three) Long Term

9. Set workforce plans and supporting strategy to inform a longer horizon of staffing needs, ensuring best long-term outcome for the organisation (development of internal skills and capability, lower long-term costs, retention of key intellectual properties). These strategies need to be developed through People and Culture Business Partners engaging and facilitating the processes with services.
10. Implement an appropriate CMS and HRIS that meets the needs of Te Whatu Ora given the complexity and scale of the organisation. The system should utilise/leverage the minimal viable product requirements defined by the data repository requirements within the Phase One activities.

Benefits

- Clarity of Te Whatu Ora future workforce and alignment of this across services.
- Identification of workforce gaps that are addressed through cost effective long term focussed strategies.
- A CMS and HRIS implemented that seamlessly supports and enables services, aligning with the complexity and scale of Te Whatu Ora that utilises the data from Phase One.

Excerpts from Management Update on Actions to CEO**March 2023**

The People, Culture, Development and Change Committee has received an update on progress on implementing findings of the contingent workforce review, including considering a draft policy and forward implementation plan. Subject to Committee discussion, the priority for the next three months will be:

- initial implementation of the policy ahead of extension decisions for 1 July 2023
- implementing a medium-term data collection and approvals process for new contingent workforce arrangements, including human review of terms, conditions and rates to ensure comparability and policy compliance
- establishing an accountability framework with enduring reporting expectations – including practice improvement targets for each business unit.

At the same time, we continue to work with business units and providers to improve data quality and close existing gaps. We expect to adopt sharp expectations on executives where quality data on existing contingent workforce arrangements is unavailable to wind these arrangements down.

February 2023

A draft contingent workforce policy and implementation plan have been developed to bring down Te Whatu Ora's contingent workforce spend and FTE, and to ensure more mature, sustainable use of contingent workers over time. The policy and plan are under review ahead of finalising drafts and circulating to the business more widely, before being provided to the People, Culture, Development and Change committee for consideration in March.

Data collection on our current contingent workforce has finished, though data quality is not high. We are now analysing this data to identify trends and pockets of strong and poor performance in sustainably using contingent workforce. This analysis will be applied so we can focus on areas requiring greater support and intervention, and as a starting point for ongoing accountability expectations. Initial analysis suggests a material decrease in contingent workforce numbers since 1 July 2022 (~25%), which we will validate as we analyse and check the data.

January 2023

Progress with the Contingent Workforce Review response continues at pace. Over the past month we have:

- engaged with all national business units on the stocktake of contractor data, with all business units to return accurate data on contractors and consultants accurate by 10 February (to be accurate to 1 February);
- developed a draft contingent workforce policy for further workshopping and testing with business units during January;
- outlined a solution architecture to capture contingent workforce data moving forward, for confirmation with the SRO and key stakeholders by the end of January; and
- started development of an accountability framework for contingent workforce management (a new product to give the business, executives and board clarity on systemic expectations for managing down our contingent workforce and moving to policy compliance) alongside implementation planning and key supporting resources (including forms and tools, such as for onboarding and offboarding).

December 2022

As you are aware, an internal audit review of our contingent workforce practices has been undertaken – and management have accepted the review’s recommendations. A project team is working to deliver a response to the review recommendations and to effect the Board’s requested direction in three tranches:

- Tranche 1 – Review of existing contingent workforce arrangements. From now through to early 2023, we are working to review all contingent workforce arrangements (including contractors, temps and consultants) in use in national corporate teams. This will include gathering a single source of truth for contingent workforce data, and analysing it to understand not just how many contractors we have, but why and until when. This will allow us to present a timeline for shrinking reliance on contingent workforce over time (e.g. as COVID-19 funding and operating model uncertainty decrease), as well as report on the health of contingent workforce practices across the business (e.g. if we’re using contractors, is it for a good reason).
- Tranche 2 – Establish consistent, national arrangements. Alongside this, we are developing a national contingent workforce policy including consistent onboarding and offboarding processes. We are also establishing a single repository for our contingent workforce, using current data as a starting point – which will allow for reporting and monitoring on contingent workforce moving forward. We expect to confirm these arrangements by Q2 next year.
- Tranche 3 – Shift to enduring good practice. Once national approaches and our baseline are confirmed, we will focus on implementation. This means working with parts of the business highly reliant on contingent workforce to ensure any use is appropriate, and use medium-term interventions (e.g. workforce development and capacity-building; changes to BAU employment arrangements) to shift away from reliance on contractors. It will also include expanding cover to the districts as the operating model work allows, and moving data over time onto our HR Information System (once developed).