

Joint Tertiary Education Report: Quarterly Monitoring Report on Workforce Development Councils – September 2022

Date:	14 October 2022	TEC priority:	Medium
Security level:	In Confidence	Report no:	B-22-00569
		Minister's office No:	

ACTION SOUGHT		
	Action sought	Deadline
Hon Chris Hipkins Minister of Education	<p>Note that the Workforce Development Councils are operating satisfactorily and have met their delivery requirements to Tertiary Education Commission for 2021/22;</p> <p>Note that the Workforce Development Councils are engaging with their industries and embarking on their four core functions satisfactorily; and,</p> <p>Agree that the TEC release this briefing in full.</p>	At your earliest convenience
Enclosure: No	Round Robin: No	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)				
Name	Position	Telephone		1st contact
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THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT						
<input type="checkbox"/> DPMC	<input type="checkbox"/> MPI	<input type="checkbox"/> ENZ	<input type="checkbox"/> ERO	<input type="checkbox"/> MBIE	<input type="checkbox"/> MoE	<input type="checkbox"/> MFAT
<input type="checkbox"/> MPP	<input type="checkbox"/> MSD	<input checked="" type="checkbox"/> NZQA	<input type="checkbox"/> NZTE	<input checked="" type="checkbox"/> TEC	<input type="checkbox"/> TPK	<input type="checkbox"/> Treasury

- Minister's Office to Complete:**
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| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments:

Executive Summary

On *operational* matters, the WDCs have developed systems, processes, and policies, have shaped their vision and purpose statements, and have met the relevant delivery requirements to TEC for 2021/22 (Final Establishment Plan Report, and Operational Plan for 2022/23).

- Recruitment of staff has been the major challenge, with just one WDC at 100% of their target figure, and an average across all WDCs on 30 June, 2022 of 73%. However, some WDCs are holding back while they assess their needs, and others are confident that vacancies will be filled as the new financial year progresses. The TEC regards staffing levels as a minor concern and is monitoring progress.
- As of 31 March 2022, all six WDCs were forecasting a net surplus for the period of October 2021 to 30 June 2022, primarily reflecting lower-than-expected capital expenditure but also reduced travel, engagement, and salary costs. The 2023 budgets have been set, and TEC will closely monitor financial performance during the year. Although there are cost pressures on WDCs, the TEC does not consider that these pose any issues for financial viability.
- All WDCs have established Audit and Risk Committees and progress is being made on managing operational risks.
- All WDCs governing councils have been established and are operating in accordance with the requirements of the Orders in Council. Governance arrangements, systems and processes have not yet attained a level of maturity to be rated green, but progress is being made

Despite operating for only nine months, the WDCs have progressed beyond operational matters to address the *functions* required of them.

- In *skills and workforce leadership*, all WDCs have produced Industry Engagement Models and five of the six WDCs (all except Toitū te Waiora) have produced their first Workforce Development Plans (WDPs). The purposes of WDPs are to identify current and future workforce needs for each WDCs' industries, and propose ways to meet these needs them through vocational education.
- In *qualifications and standards*, and in *quality assurance*, NZQA's overall assessment is that WDCs are engaged, proactive and are fulfilling their qualification-related functions well. NZQA bases this on the WDCs' leadership and participation, quality of outputs, and management of the transition standard setting responsibility from TITOs.
- In *advice and representation*, all WDCs have provided advice to TEC for the 2023 investment round. There are some common themes, and the advice has been used to inform TEC decisions on prioritisation of additional funding and consideration of new providers. The WDCs are at an early stage of engagement with their industries, and the advice will become more focussed and detailed as engagement matures. The TEC is working with WDCs so that, during coming annual investment rounds, the voice of industry will influence areas and mode of delivery, growth and the decline of courses and qualifications, and the amount of funding.

Recommendations

Hon Chris Hipkins, Minister of Education

It is recommended that you:

1. **note** that the Workforce Development Councils are operating satisfactorily and have met their delivery requirements to Tertiary Education Commission for 2021/22;
2. **note** the Workforce Development Councils are engaging with their industries and embarking on their four core functions satisfactorily; and,
3. **agree** that the TEC releases this briefing in full.

AGREED NOT AGREED



Gillian Dudgeon

Deputy Chief Executive, Delivery
Tertiary Education Commission

14 / 10 / 2022



Eve McMahon

Deputy Chief Executive
New Zealand Qualifications Authority

05/10/2022



Hon Chris Hipkins

Minister of Education

21 / 11 / 22

Purpose

1. The Workforce Development Councils (WDCs) were legally established in June 2021, becoming operational in October 2021. This report provides a high-level summary of the WDCs' activities and performance throughout their establishment phase (to 30 June 2022) and into operational delivery, to September 2022.
2. As this is the first monitoring report, it provides an assessment from the Tertiary Education Commission (TEC) and New Zealand Qualifications Authority (NZQA) on the WDCs' progress against their functions from their establishment through to September 2022. It is expected that future monitoring reports will focus on their previous six months only.

Background

3. The WDCs are “industry led, and government enabled”.

Roles of WDCs

4. The four core **functions** of the WDCs, as provided by the Education and Training Act 2020, are to:
 - provide skills and workforce leadership (by identifying the current and future needs of their industries and advocating for those needs); and
 - develop and maintain qualifications and standards (skill standards, qualifications, micro-credentials, national curricula, and capstone assessments); and
 - provide quality assurance (by endorsing programmes and moderating assessments); and
 - provide advice and representation (including advice to TEC on the mix and overall investment in vocational education and training).

Roles of TEC and NZQA

5. TEC leads the Government's relationship with the WDCs and supports them with two dedicated Partnership Managers.
6. WDCs are funded by TEC on an annual basis, with the funding agreements requiring performance measures and specified deliverables (six-monthly progress reports, annual operational plan, and advice to TEC).
7. NZQA leads the support for the WDCs' roles in *qualifications and standards*, and in *quality assurance*.
8. TEC and NZQA recognise in their relationships with WDCs that the WDCs are led by industry and that government's role is a supportive one.

State of Play

9. Overall, WDCs are performing as expected for this stage of their development.

Key	In line with expectations	Requires engagement/guidance	Of concern
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Table 1: Operational scoreboard, by WDC

Operation				
	Staffing levels	Finances	Risk	Governance
Hanga-Aro-Rau				
Muka Tangata				
Ringa Hora				
Toi Mai				
Toitū te Waiora				
Waihanga Ara Rau				

Table 2: Functions scoreboard, by WDC

Functions				
	Skills and Workforce Leadership	Qualifications and Standards	Quality Assurance	Advice and Representation
Hanga-Aro-Rau				
Muka Tangata				
Ringa Hora				
Toi Mai				
Toitū te Waiora				
Waihanga Ara Rau				

Operational Matters

In their first nine months, the WDCs established themselves as new operational entities

- Since their formal establishment in October 2021, the WDCs have been growing their teams and capability, developing work plans, policies, and processes, beginning to engage with their industries, and initiating planning for long term change.
- In May 2022, the WDCs met an important milestone by having their Operational Plans for 2022/23 approved by the TEC Board. The Operational Plans inform the WDCs' activities, priorities, and deliverables for the 2022/23 funding year, and are the basis for their Funding Agreements with the TEC.
- The plans provide TEC with confidence that the six WDCs understand their role and have made decisions on their priorities for the next year. As part of their Funding Agreement with the TEC, WDCs are required to provide six-monthly update reports on their activities and

deliverables in the Operational Plans, and report their progress against performance of their core functions.

There has been a significant increase in staff numbers

13. Five of the six WDCs had not reached 100% staffing capacity by the end of their Establishment Phase (30 June 2022), which is of minor concern. Through the TEC’s regular engagements, we have confidence that each WDC is managing this well, and is appropriately reviewing and assessing their needs against their capability as they grow and their organisational priorities evolve.
14. The WDCs are providing examples of successful recruitment, including the use of innovative methods and success in achieving high levels of diversity.
 - Ringa Hora and Waihanga Ara Rau have had success using a wānanga style interview approach. Waihanga Ara Rau has also used Pacific fono-style interviews for Pacific roles.
 - Toi Mai has fully recruited its staff with 50% Pakeha, 38% Māori/Pacific, 12% Asian. 8% of the staff have disabilities and the female/male split is 1.7:1

Shared services are working well

15. Hāpaitia Limited (the shared services entity) has implemented a range of operating systems, established control environments, and developed operational policies that are utilised by all six WDCs; it also undertakes IT support and data security, finance support function and all forms of financial reporting to the WDCs, and provides some human resources support.
16. The TEC does not directly fund Hāpaitia or monitor its performance but recognises that it plays an important role in the day-to-day running of the WDCs. The TEC maintains regular engagements with Hāpaitia.

Financial management is sound

17. As of 31 March 2022, all six WDCs were forecasting a net surplus for the period of October 2021 to 30 June 2022, as per Table 3. The budgets for this period were set by the Interim Establishment Unit on an assumption basis. The surplus is primarily due to lower-than-expected capital expenditure, Hāpaitia’s operating costs being less than budgeted, and reduced expenditure on travel and transport, engagement, meetings, and events. There are also underspends on people costs as the WDCs recruit staff.
18. The net surplus is relatively even across five of the WDCs and has created sufficient equity reserve. Ringa Hora WDC has a higher reserve than other WDCs due to it receiving funding from ServiceIQ before it ceased operation as a Transitional Industry Training Organisation.

Table 3: Forecast Net Surplus on 30 June 2022

Toitū te Waiora	Toi Mai	Ringa Hora	Muka Tangata	Waihanga Ara Rau	Hanga-Aro-Rau
\$2,990,998	\$3,607,029	\$6,998,198	\$3,759,356	\$3,392,255	\$3,693,186

19. The 2023 operating budgets that have been set by five WDCs are targeting a net deficit, with one WDC targeting a small surplus. Much of the operational expenditure is assigned to staff salaries, governance, shared services, meetings, and travel. Although the WDCs are relatively new entities, a deficit budget can be set, given the WDCs’ forecast financial reserves. Deficits for the coming year also reflect that there are some expenses which were deferred from year one.

Table 4: 2023 Budgeted Net Surplus/(Deficit)

Toitū te Waioara	Toi Mai	Ringa Hora	Muka Tangata	Waihanga Ara Rau	Hanga-Aro-Rau
(\$85,658)	(\$302,385)	\$15,495	(\$308,618)	(\$307,872)	(\$85,594)

20. We expect that, as the WDCs mature, they will need to set budgets which target small operating surpluses to ensure long term financial viability. Given this is the first year that the budget has been set by the individual WDCs themselves, we intend to closely monitor their financial performance and have increased the frequency of financial reporting in the 2022/2023 funding agreement.
21. The operational plans of the WDCs raised several factors which could put undue pressure on the cost base of the WDCs. These consist of having to remunerate staff at rates higher than set in the Establishment budgets due to the tight labour market, ensuring appropriate FTEs are available to meet the demands of industry, conducting research, and ensuring appropriate office space. We will continue to monitor and engage with the WDCs on these issues but consider these to be operational issues that the WDCs will need to address collectively and do not consider they currently pose any financial viability issues.
22. Based on the underlying financial performance, and the overall financial position of the respective WDCs, the TEC does not consider there are any significant financial risks currently facing the WDCs. The independent accounting firm, BDO, has been appointed as the WDCs' external auditor. Once the annual audit process is completed later in 2022, this will provide further assurance to the TEC on the WDCs' financial position and identify any areas that may require ongoing monitoring.
23. TEC has communicated with all WDCs that it is their role and responsibility to prioritise their work and staffing mix to fit within their respective operational budgets.

Risk is being managed

24. Each WDC is responsible for managing their respective operational risks. All WDCs have established Audit and Risk Committees and processes are being developed to identify and manage respective operational risks. Internal risk management is at different maturity levels across the WDCs, but regular internal reporting is being undertaken, with risk registers being implemented and maintained. Given the infancy of the WDCs, we expect their underlying risk maturity to continue to develop.

Governance has been established

25. The governance arrangements have been established in accordance with the requirements of the Orders in Council, which vary for each WDC. A common theme is the WDC response to the statutory requirement to honour Te Tiriti o Waitangi and support Māori Crown relationships. A move towards co-governance has seen some WDCs with Co-Chairs, and representation of Māori on the governing councils of around 50%.
26. Te Kāhui Ahumahi, the group of Māori members of the WDC governing councils established to provide advice to the interim Establishment Boards has been set up.. Work is underway across the WDCs to agree its role and responsibilities going forward given these need to evolve from those required during establishment.. A Pasifika Fono has also been established.
27. The need for support for governance activities has led some WDCs to recruit specialist personnel. Overall, the level of activity and commitment by WDC governing council members is strong.

28. Some of the first appointments to the governing councils were relatively short term, expiring in 2022. Council members are required to serve until they resign or are replaced, and recruitment is underway to ensure a smooth transition.
29. Muka Tangata and Ringa Hora both have Ministerial appointments, with all 12 appointments on the governing council of Muka Tangata now due to be considered by the Minister. The required consultation with industry is underway to enable the council to make its recommendations to the Minister.

Functions of the WDCs – Skills and Workforce Leadership

WDC are increasing engagement with their industries ...

30. Engagement plans were submitted to the TEC at the end of April 2022. These provided an oversight on how the WDCs were looking at ways to determine priority stakeholders and engage with industry and iwi business. The engagement plans also highlighted how the WDCs have commenced working collaboratively on projects with other WDCs.
31. Engagement has been broadly in line with what we would expect at this stage of WDC operations. It is expected that WDCs will be engaging closely with their industries in the year ahead. In future, TEC will have access to industry surveys that will provide a more detailed and objective view of WDC engagement with their industries.
32. Positive examples of WDC engagements include:
 - Muka Tangata held thirteen Food and Fibre Futures hui in May 2022, with around 300 participants across New Zealand. All participants have been followed up individually, providing connections with a range of individuals and organisations, including priority audiences. A programme has been started to meet and develop relationships with key people from a range of industries. Other WDCs are planning similar roadshows to promote their workforce development plans, consult on their statements of strategic direction, and introduce themselves to their industries.
 - Toitū te Waiora has been engaging with key Hauora Māori/ Rural Health partners in Te Tai Tokerau as part of a collaborative project working group with: local Iwi; health, education, and social services provider, Tai Timu Tai Pari; the Regional Skills Leadership Group; the Ministry of Business, Innovation and Employment; the Northland District Health Board; primary health organisation Mahitahi; and Te Pūkenga. Collaboration as a working group will enable better resourcing, more efficient skills and knowledge sharing, and a joined-up system.
 - Ringa Hora facilitated a collaborative meeting for key agencies, organisations, trainers, and others involved within aviation. The hui covered the strategic vision of Aviation NZ, discussing the barriers, challenges, and opportunities to support the aviation sector.

... Through engagement with industry and other stakeholders, the WDCs have released their first Workforce Development Plans ...

33. Through engagement with their industries, the WDCs developed their Workforce Development Plans and insights for developing workforce profiles for use by industry, internal teams, and other interested stakeholders.
34. TEC does not prescribe what a workforce development plan should look like but would expect such a plan to include an overview or profile of the industry sector, identify key challenges and opportunities for the sector, and suggest actions.

35. The WDCs' first plans have drawn on the readily accessible quantitative information and qualitative insights from early conversations the WDCs have held with industry. The WDCs will work with providers, industry bodies, government agencies and other partners to get feedback on the actions proposed and refine the detail. Over the next year, all WDCs will continue to focus on engagement, to ensure that the next iterations of their plans have industry at the centre.

... And will be releasing their first Statements of Strategic Direction.

36. Each WDC's Order in Council commits them to issuing a Statement of Strategic Direction at least once every three years, setting the WDC's strategic direction for the next five years. WDCs must consult on the statement with vocational education and training providers and with the Minister.

37. There is a focus also on engagement with industry as the WDCs develop and consult on their Statements of Strategic Direction. The TEC expects the Statement of Strategic Direction for each WDC to be released within Quarters 3 and 4 of 2022. Already, three WDCs have submitted draft statements.

Functions of the WDCs – Qualifications and Standards, and Quality Assurance

NZQA is developing a review mechanism for WDCs

38. Work has started on developing a review process to be introduced via NZQA rules in 2023. WDCs will not have a sufficient body of work to evaluate until that time. Nonetheless, NZQA can offer a view of WDC performance based on its day-to-day interactions with WDCs.

NZQA considers that WDCs are collaborative, participate, provide leadership, and proactively address issues

39. WDCs co-chair, with NZQA, a cross-sector working group on *skill standards* and New Zealand programmes (*national curricula*). This has been a significant activity for all WDCs, both in terms of the design of these educational products as well as in developing working relationships across the tertiary sector and the tertiary/secondary school interface. WDC members have been active across the whole programme of work, providing specialist technical input and co-hosting a series of information sessions on the proposed format of skill standards.

40. WDC staff come together in a monthly qualifications and quality assurance hui and separately in community of practice hui, including for *capstone assessments* and *micro-credentials*. These are well attended and provide an opportunity for participants to discuss any issues. NZQA staff have attended at the invitation of WDCs.

41. WDC staff are actively participating in *qualification* reviews to assure consistency of graduate outcomes.

NZQA considers that the quality of WDC outputs is good and where issues arise, WDCs act

42. Since October 2021, WDCs have completed around 2200 *unit-standard reviews* and 140 *qualification reviews*. WDCs have been able to recruit experienced staff but have also had to engage staff that are new to these processes. The overall quality of qualifications and unit standards submitted to NZQA has been good. Some requests by NZQA for further information from WDCs have been made, but this is not unusual. Some scheduled qualification review dates have been deferred at the request of industry and providers, and the WDCs are managing this as required. This work is progressing well.

43. Consistency reviews for 73 qualifications have been completed by NZQA for which WDCs are the qualification developer. WDCs are actively engaging in the review process and representatives have attended all but three of these reviews. WDCs helped NZQA to develop the review schedule, are quick to respond to invitations to attend (and often ask for additional staff to attend), and add value to the discussion about the qualification under review.
44. WDC staff have attended the last four Assuring Consistency Workshops (workshops aimed at providers who are involved in consistency reviews), indicating an interest in increasing staff skill and knowledge.
45. The programme *endorsement* function of WDCs began in June 2022, ensuring that programmes delivered by providers meet the needs of their industries, and that learners gain the skills required for the workplace. New programmes require endorsement if they are to be funded by TEC. Since June, 162 programmes have been submitted to NZQA with WDC endorsement. WDCs have worked closely with NZQA to ensure that their programme endorsement process complements NZQA's programme approval process. Some issues with consistency have been identified and NZQA and WDCs continue to review the programme endorsement and programme approval processes to ensure they meet WDC and NZQA needs. A further comprehensive review will be undertaken by WDCs and NZQA in November 2022.
46. All WDCs have published a 2022 *moderation* plan. WDCs have indicated that they will take into consideration factors that might indicate a higher risk when prioritising providers and unit standards for moderation, such as new providers or providers with a history of poor performance. NZQA will begin to monitor WDC national moderation systems in 2023.

NZQA considers that management of the transition of the standard setting function from TITOs to WDCs is proceeding well

47. A significant number of qualification and unit standard reviews were in progress when Transitional Industry Training Organisations (TITOs) ceased this function. WDCs seamlessly progressed these reviews to completion.
48. Consent and Moderation Requirements (CMRs) associated with unit standards have been transferred from TITOs to WDCs. WDCs made a joint decision to maintain the TITO CMRs but will progressively develop WDC-specific CMRs.
49. The qualifications and standards developed and maintained by TITOs were initially allocated to WDCs based on a best fit with their respective Orders in Council. WDCs have reviewed the initial allocation and some transfers have occurred between WDCs to better reflect their areas of responsibility.

Future work

50. As expected, the rules that NZQA are currently consulting on will be in place in December 2022. From this point WDCs will be able to have skill standards New Zealand programmes (national curricula), or micro-credentials approved.

Functions of the WDCs – Advice and Representation

TEC has received Advice from the WDCs to inform our 2023 investment

51. Through their engagements with their industries, WDCs will identify the skills and training needs of industry. This will inform WDCs' advice to TEC on the mix and overall investment in vocational education and training (VET).

52. The WDCs provided their first iteration of advice to the TEC in April and June 2022. This has been used in the TEC's Supplementary Plan Guidance for 2023 funding, which informs providers of the education and training investment priorities. Where applicable, providers are expected to respond to these priorities in the investment plans that they submit for assessment and funding approval by TEC.
53. Some of the advice was not appropriate for its intended purpose and reflected that this is a new activity for the WDCs, requiring full engagement with industry and good understanding of TEC's requirements. TEC is providing additional guidance to all WDCs to support the required changes. This work has included holding a series of hui to look at timing of advice to ensure it can be effectively integrated in Investment planning for TEOs. TEC has more work to do with all WDCs on ensuring the focus of their advice to TEC is on education and training and has sufficient specificity to be able to feed into TEC processes.

Conclusion / Next Report

54. TEC and NZQA will continue to support the WDCs, including the provision of dedicated staff, as they build their capacity, capability, and credibility with their industries, and their delivery of their core functions.
55. TEC will provide further updates to the Minister on the progress of the WDCs at the end of each quarter. This aligns with progress reporting of the WDCs to TEC.