



## Proactive Release

The following documents have been proactively released by the Department of the Prime Minister and Cabinet (DPMC), on behalf of Hon Andrew Little, Minister of Health:

### **Health and Disability System Reform Briefings October 2021 to January 2022**

The following documents have been included in this release:

**Title of paper:** Health Reforms: Realising the Digital Shift for the Health System

**Title of paper:** Development of the Interim Government Policy Statement for the Reformed Health and Disability System

**Title of paper:** Further advice on the Interim Government Policy Statement - Priorities for Inclusion

**Title of paper:** Health Reform: Choices to Expand the Public Offer

**Title of paper:** Health Reforms: Public Health Transformation

**Title of paper:** Health Reforms: Addressing Workforce Supply and Demand

**Title of paper:** Localities: Setting a Narrative, and Updating on Rollout and Prototypes

**Title of paper:** Further Advice on the Interim Government Policy Statement – High Level Approach to Priorities

**Title of paper:** Monitoring Arrangements for the New Health System

**Title of paper:** Restructure of Vote Health Appropriations to Support Health Reforms

**Title of paper:** Health Reform – Progress Update and Assurance Framework

**Title of paper:** Update on the Pae Ora Bill: Select Committee Progress and Further Policy Decisions

**Title of paper:** Pae Ora Bill: Key Policy Decisions for Recommendation in the Departmental Report

**Title of paper:** Allocation of Commissioning Budgets Across Future Health Entities

**Title of paper:** Health Reform: Transfer of Functions from Ministry of Health to New Entities

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.



**Key to redaction codes:**

- section 9(2)(a), to protect the privacy of individuals;
- section 9(2)(f)(iv), to maintain the confidentiality of advice tendered by or to Ministers and officials; and
- section 9(2)(g)(i), to maintain the effective conduct of public affairs through the free and frank expression of opinion.



# Briefing

## HEALTH REFORM – PROGRESS UPDATE AND ASSURANCE FRAMEWORK

To: Hon Andrew Little, Minister of Health

Date	10/12/2021	Priority	Routine
Deadline	At your convenience	Briefing Number	DPMC-2021/22-1064

### Purpose

This briefing outlines the proposed assurance framework to track the progress of the health reform, as we move towards July 2022. It also attaches draft talking points for your oral item to Cabinet on progress with the reform on Monday 13 December.

### Recommendations

1. **Note** the summary of key areas of progress with the health reforms since your last report to Cabinet in October, and our assessment that the reforms remain on track for July 2022.
2. **Provide any comments** on the draft talking points to support your oral item at Cabinet on 13 December.
3. **Note** recent progress on the plans for transferring functions from the Ministry of Health to the interim agencies, and that it is expected that advice to agree specific initial transfers will be put to Tier 2 Ministers in January 2022.
4. **Note** the proposed approach to strengthening assurance and oversight for the implementation of the reforms and readiness for Day 1, including reporting arrangements to you and Cabinet; and provide any comments on this approach.
5. **Provide any comments** on the assurance framework in the officials meeting on Wednesday 15 December.



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Stephen McKernan  
**Director, Transition Unit**

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10/12/2021

Hon Andrew Little  
**Minister of Health**

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**Contact for telephone discussion if required:**

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Simon Medcalf	Policy Lead, Transition Unit	s9(2)(a)	
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**Minister's office comments:**

- Noted
- Seen
- Approved
- Needs change
- Withdrawn
- Not seen by Minister
- Overtaken by events
- Referred to

# HEALTH REFORM – PROGRESS UPDATE AND ASSURANCE FRAMEWORK

## Purpose

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1. This paper provides a progress update against critical milestones of the reforms and supporting points for your oral update at Cabinet.
2. Previous advice to Cabinet described formal checkpoints to assess whether implementation of the reforms was on track, and a formal checkpoint in May 2022 to determine readiness to implement the new legislation on 1 July 2022 (SWC-21-MIN-0163). The paper outlines a proposed assurance framework to track the progress of the reforms going forward, and a process to use the framework as a foundation for a formal assessment of readiness to implement new legislation on 1 July 2022.

## Progress update for Cabinet

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3. We are at a crucial point of the health reform, having officially established the interim entities – interim Health NZ and interim Māori Health Authority. This adds layers of complexity to the health reform – beyond the TU work programme and the Ministry of Health's change programme/reform related work, the health reform work programme now also includes the interim agencies' work plans and their respective lines of accountability.
4. You will provide a verbal update to Cabinet on Monday 13<sup>th</sup> December on progress on the reforms. At your most recent update to Cabinet, which outlined Day 1 of the future system and the roadmap for the first three years of transformation, you noted that you would provide quarterly updates on progress. Supporting points for this update are provided in **Appendix A**.
5. Overall, most critical activities have progressed as expected since your last update to Cabinet in late October, and we are confident that the implementation of the reforms remains on track:

### *Legislation*

- a) The Pae Ora Bill was introduced on 20 October 2021, the first reading completed on 27 October, and public submissions closed 9 December.
- b) Advice on remaining provisions for the Bill, in particular the powers and functions of iwi-Māori partnership boards, will be provided to the Ministerial Oversight Group in late January, ahead of submitting the departmental report to the Pae Ora Committee in mid-February.

### *Establishment of interim entities*

- c) Interim boards were appointed at the end of August, and acting chief executives at the beginning of November.
- d) Recruitment for the permanent chief executives has reached the final stages with preferred candidates identified, and permanent appointees expected to commence their roles in mid-February.

- e) Acting arrangements are in place or underway for critical leadership roles within the interim entities. For example, an interim public health lead will begin in interim Health NZ in early 2022 to support establishment of the National Public Health Service, as well as support advice on future sectoral arrangements for managing the ongoing COVID-19 response and vaccination programme.
- f) Design of internal operating models for Health NZ and the Māori Health Authority are underway, with initial advice going to interim Boards mid-December on broad organisational structures.
- g) Letters of expectations have been formally issued to the interim entities, Ministry of Health and Health Quality and Safety Commission to outline the requirements for each entity over the transitional period. Work plans for the interim entities leading to 1 July 2022 have been submitted to you.

#### *Funding and policy settings*

- h) Funding settings, including appropriations, have been agreed and the 2-year transitional budget for Vote Health will be submitted to the Treasury 10 December. Advice on the proportion of funding within different appropriations to be held by each entity will be provided in late January.
- i) Bottom up planning for the Health NZ internal budgets are underway, with the DHB chief financial officers providing budgets for their local area to interim Health NZ to consolidate and reconcile with top-down funding assumptions.
- j) Draft versions of the interim Government Policy Statement (iGPS), interim NZ Health Plan (iNZHP) and Health Charter are underway. The iGPS will be developed in time for publication with Budget announcements in May 2022. A first draft iNZHP will be developed by March 2022, with sign off in July 2022.

#### *Localities*

- k) A long list of sites have been identified for locality prototypes and communications have gone out to teams in these sites. A process is underway to co-develop proposals for these sites, and final decisions are expected to be made in early 2022.

#### *Communications*

- l) We are about to complete a series of national roadshows on the health reforms, which will have included 21 events and been attended by over 3,500 health sector staff. Feedback from these events suggests that more than 70% of attendees rated the sessions favourably.
- m) The health reform website, launched in September, has been a key platform for communicating information about the system's transformation. Since launch, the website has had more than 20,000 visitors.

6. As outlined in previous advice (SWC-21-MIN-0163), following your update to Cabinet this month, there are two further key checkpoints prior to 1 July 2022:

- a) In March 2022, a quarterly report back confirming that enabling legislation and wider transitional work is on-track; including the transition of initial functions from the Ministry of Health and DHBs.

- b) In May 2022, confirming that legislation has made sufficient progress towards Royal Assent; and that interim agencies have built sufficient capacity and capability to assume their roles in the future health system on 1 July 2022. This checkpoint would result in a formal 'go/no-go' decision for Cabinet by mid-May 2022.

## **Update on Ministry of Health functions transfers to interim entities**

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7. Since you last met with officials on the design of the future Ministry of Health and functions transfers, officials from the Transition Unit and Ministry of Health (the Ministry) and representatives from the interim entities have conducted a series of workshops facilitated by Doug Craig to finalise functional analysis regarding the proposed functions, staff and funding to transfer from the Ministry to interim entities. The workshops were able to identify a list of actions that were agreed on to further assist in finalising agreement on what is to transfer, as well as the supporting and enabling activities that will be necessary to ensure a smooth transition and effective management of the risks associated with the transfer of functions and accountabilities to the new entities.
8. There is now broad agreement regarding what is proposed to be transferred in tranche 1 as well as general agreement as to the functions in scope for due diligence in tranches 2 and 3. However, there remains a small number of areas where officials are continuing to work through assumptions to reach a final view. In many of these cases further design work has been required to understand how the functions will operate across entities in the future and therefore where the current capacity and capability is best aligned. A particular example of this is performance monitoring, where all three entities will monitor performance in the future for different purposes, and none is analogous to how the Ministry currently monitors DHB performance.
9. As you will be aware, the originally agreed implementation plan for the reforms had planned for the transfer plan to be agreed in December 2021, with transfers of tranche 1 functions to commence transfer from 1 February 2022. The time needed to finalise the functions transfers has been impacted by a number of factors including the time for the Ministry to undertake the detailed analysis of some functions which were more complex than initially envisaged, as well as the Ministry's continued COVID response and leadership responsibilities. The risk to the timeframe is being actively managed, including through the more intensive engagement model that has been established over the past 2 weeks.
10. Officials are now working to seek agreement from Tier 2 ministers to transfer accountabilities for the first tranche of functions in late January 2022, with the transfers still to commence from February. Due diligence is continuing for the first tranche of transfers and will inform the advice we will provide to you and Tier 2 ministers in January 2022. The full suite of functions transfers (all tranches) will need to be agreed by late February 2022 in order to inform the March Baseline Update and budget 2022 planning for all entities, but transition does not have to be completed by this date.
11. The functions in scope of the first tranche of transfers are:
- To interim Health NZ*
- a) Health Infrastructure Unit
  - b) Pacific health commissioning
  - c) Some performance monitoring functions

*To interim Māori Health Authority*

- d) Māori health service improvement
12. Employment relations is also under consideration to transfer early into interim Health NZ. Officials are testing whether employment relations functions from the Central Region Technical Advisory Services could be moved ahead of legislation to align with transfer of related functions from the Ministry, in order to build a comprehensive team inside of interim Health NZ. We will update you on this progress in January.
13. Officials are also developing a view of shared work programmes and arrangements across the interim entities and Ministry to share resources and capability while capacity is being built. Over the transition period sharing of resources is straightforward and already outlined to some extent in the Departmental Agency Agreements. The Ministry has recently agreed to second a number of staff from the Ministry to support the interim entities in their establishment and transfer preparatory work streams. This includes six staff from the Strategy and Policy Directorate to the iMHA. We anticipate there will be a need to continue some shared arrangements beyond 1 July 2022, particularly in areas where capability is difficult to source.
14. We have identified and actively managing a number of key risks:
- a) Finalised transfer plans with the number of full time equivalents (FTEs) and funding posed to transfer are necessary for the new entities to be completed by February/March to allow all entities to complete internal budget planning (departmental and non-departmental expenditure) and recruitment strategies. We expect that interim Health NZ and the interim Māori Health Authority will need to submit their first drafts of internal budgets to their boards in March 2022.
  - b) The May checkpoint requires information about how transfers have gone and performance with operational functions, in order to provide a view about the readiness of the new entities to receive their full suite of functions from 1 July 2022. This could be impacted to the extent that if the interim entities have not received all of the functions planned for transfer by the checkpoint date, or not had sufficient time to demonstrate competence with the transferred operational functions. In turn this may have a flow on impact in terms of the level of assurance on readiness for legislation to be implemented ahead of the 1 July 2022 commencement date.
15. Officials are managing risks of delays in multiple ways, including conducting rapid design work or identifying lowest risk solutions in order to proceed, and conducting due diligence processes in parallel to interim entities standing up processes to demonstrate readiness to receive functions. The assurance framework described below is another tool we will use to monitor progress on functions transfers and identify risks early.

### **An assurance framework is being developed to form the basis of scheduled checkpoints and reporting on health reforms**

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16. Given the size of the reforms and the relatively short amount of time left until 'go live', it will be crucial to ensure our approach to reviewing and reporting on the progress of the work programme is as strong as possible. The task of ensuring oversight and accountability will inevitably become more complex as the interim agencies develop their own leadership and take forward activities. To this end, we are designing a strengthened assurance framework as a tool to track progress, risk, actions and mitigations up to July 2022.

17. The assurance framework is intended to provide the basis for regular reporting to you, and to other Ministers and Cabinet where relevant, on implementation of the reforms over the critical period in 2022, including early warning of potentials risks and mitigation. The approach will comprise:
  - a) A monthly cycle of reporting from the interim agencies, the Ministry and Transition Unit on their respective activities and work plans which support the reform programme. This will combine self-assessed measures of progress with wider intelligence drawn from system engagement and relationships.
  - b) Independent input and challenge to this regular reporting cycle through the Transition Assurance Group, which includes representatives of key agencies and the health sector.
  - c) Monthly reports provided to you, and made available to other Ministers at your discretion, which summarise progress and risks and identify any issues for escalation.
  - d) A supporting cycle of formal accountability meetings between you and the chairs of the interim agencies, to discuss any matters arising in the monthly reporting. We anticipate that these would fit into the planned arrangements for regular meetings with the chairs and chief executives.
  - e) The alignment of this reporting cycle with the Ministry's wider system-level monitoring and risk register, so that there is an understanding of the relationship between risks related to the reform programme and those which are environmental or related to wider factors.
18. We are developing the specific models to be used to report this information to you on a monthly basis, and expect these to draw significantly on the deliverables and milestones set out in the work plans of the interim agencies. This will include identifying domains of activity that help drive a consistent approach to assurance and will follow through to how this information is presented in the formal Cabinet checkpoints (an initial set of domains is included for information at Appendix B). We will work with the interim agencies and the Ministry to agree the practical arrangements for ensuring a collective and inclusive approach to reporting, so that you are presented with a consolidated view.
19. The assurance framework will also be used to test possible risk scenarios, to strengthen contingency planning and shape what would change in the reform programme to account for these scenarios. For example, if the New Zealand Health Plan were not finalised and approved in time, an alternative option would be to roll over each DHB's annual plan for 90 days from 1 July 2022. This modelling of scenarios could be used to support options for Cabinet consideration, if required.
20. In addition to monthly report, this approach will also support the formal Cabinet report in March and checkpoint in May 2022:
  - a) We expect the March report back to provide a contemporaneous view of progress, drawing on the monthly reports prepared to that date. This will also be an opportunity to raise any new risks and contingencies, as above.
  - b) The May checkpoint is intended to provide a formal decision point for Cabinet to confirm the commencement of the legislation on 1 July 2022, based on an assessment of readiness and risk. To support this, we envisage a more detailed analysis that employs elements of Gateway methodology and independent scrutiny

to inform your advice to Cabinet. We are currently designing this process, which we expect to include independent assessors and a role for the Transition Assurance Group.

21. We would welcome your feedback on the assurance approach proposed above and in particular any further requirements you have to support your oversight of delivery and readiness ahead of Day 1 and ability to hold all organisations to account.

### Next steps

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22. Subject to your comments on the proposals above, we will continue to develop the assurance approach, with the aim of providing the first monthly report to you in late January 2022. We will iterate and refine this process based on your feedback in the New Year, and provide further advice on the approach and methodology for the Cabinet checkpoint.
23. We will continue to progress work with the Ministry on the transfer of functions, as outlined above, with a view to providing advice in January.

<b>Attachments:</b>	
<b>Attachment A:</b>	Progress update: talking points for Cabinet <small>Withheld in full under section (9)(2)(g)(i) of the Act</small>
<b>Attachment B:</b>	Assurance framework – review domains

# ATTACHMENT B

## Assurance framework – review domains

Programme controls	Oversight, monitoring and risk control processes are robust and effective
Legislation	Legislation will be passed on time, and will enable delivery of the system operating model
Accountability & Monitoring	The framework is designed, agreed and in place. Key system artefacts eg GPS and the Health Plan are approved & an evaluation plan is in place to measure long-term benefits realisation
System Stewardship	Effective leadership and structures are in place to continue to oversee implementation and delivery of reform outcomes
Critical system design	Essential policy and system design settings for Day 1 are completed to support implementation
Equity	System and service design, and delivery is consistent with the Crown's Te Tiriti o Waitangi obligations and will meet the needs of priority populations
Board functionality	Boards have effective systems, processes, policies & procedures in place. Inter-board relationships are effective. Mechanisms in place to transition from Section 11 Committees.
Organisational leadership	Leadership structures are in place, agencies are ready to effectively transfer and receive functions, early organisational operating models are in place
Day 1 Corporate Services	Corporate systems in line with the future organisational operating models are functioning to support the system agencies & enable their operability
Operability	Agencies can operate in their new roles on Day 1 & beyond, medium & long-term strategic & operational plans are
Change management and a culture of reform	Impacts of change on workforce, communities, consumers and priority populations have been identified and are managed. Agencies are working in support of the intent of the reforms. Stakeholders have confidence in the reform.