

Reference: 20160340

1 November 2016



Thank you for your Official Information Act request, received on 13 September 2016. You requested the following:

“Copies of all aide memoires, memos, updates, emails, briefings, reports to the Minister of Finance’s office and/or associate Minister’s offices that mention the Ministry of Health substantively (related to a paragraph or more) since April 2016.”

Following discussion with a Treasury official, you agreed to narrow your request to:

“copies of all documents (excluding emails) sent to the Minister of Finance’s office and/or associate Minister’s offices that mention the Ministry of Health substantively (related to a paragraph or more) between 1 June and end July 2016.”

On 5 October we extended the time limit for deciding on your request by an additional 20 working days.

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	27 June 2016	Treasury Report: Vote Health Performance and Planning	Release in part

I have decided to release the relevant parts of the above document subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including deceased people,

- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials, and
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions.

Information to be Withheld

There is an additional document covered by your request that I have decided to withhold in full under the following section of the Official Information Act:

- confidential information, under section 9(2)(j) – to enable the Crown to negotiate without disadvantage or prejudice.

Item	Date	Document Description	Proposed Action
1.	22 July 2016	Aide Memoire: Responding to Terra Nova	Withhold in full

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Ben McBride
Manager, Health

Treasury Report: Vote Health: Performance and Planning

Date:	27 June 2016	Report No:	T2016/1087
		File Number:	SH-1-6

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Refer report and annexes to the Minister of Health. Agree to meet and discuss with the Treasury Vote team.	None.
Associate Minister of Finance (Hon Steven Joyce)	None. For information.	None.
Associate Minister of Finance (Hon Paula Bennett)	None. For information.	None.

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
John Marney	Principal Advisor	04 917 6151 (wk)	✓
Ben McBride	Manager, Health	04 917 6184 (wk)	s9(2)(a)

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Refer this report (including both Annexes) to the Minister of Health.

Note any feedback on the quality of the report

Enclosure: Yes: [Annex A: Overview of DHB performance](#)
[Annex B: Vote Health finance capability assessment](#)

Treasury Report: Vote Health: Performance and Planning

Executive Summary

This report updates you on performance and planning in Vote Health

Deleted - Not Relevant to Request

Deleted - Not Relevant to Request

Deleted - Not Relevant to Request

Management of Vote Health

Annex B captures our assessment of the Ministry's current strategic financial capability in a single scorecard. s9(2)(g)(i)

We plan to carry out an assessment of the Ministry's financial management function on a regular basis, and report to you at least six-monthly. The body of this report discusses in more detail how the Ministry is doing in terms of its planning, strategy, monitoring, and finance functions.

Deleted - Not Relevant to Request

Recommended Action

We recommend that you:

- a **note** that we intend to update you regularly on our assessment of financial management in Vote Health

b **agree** to a meeting with the Treasury health team to discuss:

i. Deleted - Not Relevant to Request

ii. our assessment of the Ministry of Health's current strategic financial capability (Annex B); and

iii. Deleted - Not Relevant to Request

Agree/disagree

Minister of Finance

c **refer** a copy of this report, and both Annexes, to the Minister of Health.

Refer/not referred

Minister of Finance

Ben McBride
Manager, Health

Hon Bill English
Minister of Finance

RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Treasury Report: Vote Health: Performance and Planning

Purpose of Report

1. This report provides an update on financial and performance management and planning in the health sector, now that the dust has settled on Budget 16 and ahead of your engagement with the next round of district health board (DHB) annual plans.
2. Two documents are attached for your information. These are products of the more structured oversight arrangements for Vote Health that we have put in place over the last few years.
 - Deleted - Not Relevant to Request
 - An assessment of the Ministry of Health's strategic financial capability (Annex B)
3. We would welcome a discussion with you about these documents and your priorities for the health sector over the next twelve months. You may wish to forward this report (including the Annexes) to the Minister of Health.

Deleted - Not Relevant to Request

RELEASED UNDER THE OFFICIAL INFORMATION ACT

Management of Vote Health

8. You expressed interest in pursuing improvements in Vote Health's financial management for Budget 17. Annex B summarises our assessment of the Ministry's current strategic financial capability. It captures our assessment of performance across the finance function in a single scorecard, although we have been giving similar feedback to the Ministry for a number of years. ^{s9(2)(g)(i)}
9. Our transactional working relationships with the Ministry are generally constructive. The organisation as a whole could tell a clearer story about performance, risk, and how it plans to manage financial and other pressures over the medium term. It is important that Ministers keep emphasising their appetite for this sort of advice. ^{s9(2)(g)(i)}
10. We plan to carry out an assessment of the Ministry's financial management function on a regular basis, and report to you at least six-monthly.

Planning

11. The Ministry's 2015/16 four-year plan fell short of the expected standard. A draft provided in December 2015 lacked clarity about medium-term objectives and key milestones; what progress had been made to date and how future progress would be measured; and the strategic response to pressures facing the sector. Feedback was provided to the Ministry. The plan was not updated, so the December draft effectively became the final version.
12. The next four-year plan needs more ownership from the Ministry's ELT. This may be easier now that the health strategy has been refreshed (see below) and a new second tier is largely in place. As discussed with you at our last chew session, bringing the DHBs' perspective into the four-year plan process would make the final product more useful as a strategic planning document for the sector. Incorporating key themes from DHBs' long-term investment plans would be a good start.
13. The Ministry is currently undergoing a PIF review. This gives it an opportunity to review its strategic planning processes and develop a four-year excellence horizon. The Ministry will also participate in Tranche 3 of the Investor Confidence Rating (ICR) rollout process later this year. A number of DHBs are currently participating in Tranche 2 of the ICR rollout and are showing strengths in some areas. You and the Minister of Health may wish to consider meeting the management team from one of these DHBs to hear their perspective on long-term planning and management of cost pressures.

Strategy

14. An updated health strategy was published in April. It identifies 27 areas for action over the next five years. The programme of change is ambitious, although in many areas our sense is that detailed work has not yet really begun. Prioritisation and sequencing of effort will be important to ensure that meaningful progress is made and transformation overload avoided.
15. The strategy's actions include the development of outcomes and performance frameworks, and improvements in data quality and analytical capability. We see these as having the highest priority. They are prerequisites for an improved understanding of sector performance and for implementing an investment approach. We return to these issues below.

Monitoring

16. The Ministry struggled to tell an overall sector performance story during the Budget 16 process, and could not (or did not) articulate a strategy for managing cost growth and improving performance in areas such as s9(2)(f)(iv)

s9(2)(f)(iv) The focus of the Ministry's monitoring has tended to be on deficit control and a narrow range of health targets. This reflects Ministers' priorities, but makes it harder to give a comprehensive view of performance.

17. A clearer distinction could be drawn between performance reporting and external communications: the emphasis sometimes seems weighted towards explaining poor results rather than investigating them. Ownership of data is not consolidated and information does not appear to be managed consistently across the organisation or used in a strategic way to monitor and manage the sector.

18. There are signs of progress. We do not have much visibility over specific actions underway or planned by the Ministry to strengthen its core monitoring role, but the following points are worth noting.

- Four new system-level measures will be implemented from July 2016, with nationally consistent definitions and reporting. Two further measures will be developed during 2016/17.¹ The measures appear to have the support of the sector and should complement the more specific health targets and BPS results, giving a better sense of how the system overall is functioning. This system-level framework must remain focused on understanding and testing performance. If it results in a consistently positive narrative, then different measures are needed.

- s9(2)(f)(iv)

Finance

19. The Ministry has consolidated its finance function, with a permanent CFO now in place at Tier 2. The CFO does not have direct oversight of DHB operating and capital expenditure (most of the Vote). In this respect, the new consolidated function is not obviously much different to the previous arrangements, and the development of a strategic financial view for the sector as a whole will remain challenging. The Ministry intends to manage interdependencies through a combination of formal and informal reporting lines that we do not yet fully understand. The CFO will have to work hard to shift embedded behaviours and improve financial management across the organisation.

Pages 7-10 withheld under s9(2)(f)(iv). Attachments to report not relevant to request.

¹ This is what the Integrated Performance Incentive Framework turned into. The four measures to be introduced in July 2016 are ambulatory sensitive hospitalisation rates for children, acute hospital bed days per capita, patient experience of care, and amenable mortality rates. The two measures to be developed during 2016/17 are the number of babies living in smoke-free households at six weeks, and youth access to appropriate health services.

Ministry of Health Strategic Financial Capability Monitoring Framework

Performance area	Strength of existing information / arrangements	TREND	Ministry buy-in, engagement and leadership	TREND	Capability / confidence in delivery	TREND	Notes							
Baseline														
Ministry has a strong understanding of its departmental and ministry-managed expenditure and the pressures over next 4 years.	s9(2)(g)(i)													
Ministry has a strong understanding of its non-departmental expenditure and the pressures over next 4 years.														
Strategic Choices														
Ministry can articulate strategic choices available to manage trade-offs between financial stability and service levels (departmental & Ministry-managed).														
Ministry can articulate strategic choices available to manage trade-offs between financial stability and service levels (non-departmental)														
Finance and Policy Integration														
Joined up strategy and working across finance and policy.														
Performance Measures														
Ministry has robust performance measures in place across the Vote.														
Effectiveness Information														
Ministry understands the effectiveness of spending and has a strategy in place to improve in this area.														
Monitoring														
Ministry has a defined monitoring and intervention framework for sector financial/ non-financial performance and investments.														
Core vote management														
Robust forecasting, cash management, vote processes														
Investment management														
Effective management of assets and delivery of investments in line with CO 15 (5) requirements.														

