

Action required by: **Routine**

File number: **HC04-01-1**

**Hon Tony Ryall**

**Health Crown Entity Change Project: December 2011 progress report**

**Executive summary**

- i. On 1 August 2011, Cabinet agreed to machinery of government changes including the disestablishment of four health Crown entities and the establishment of a new health promotion entity [CAB Min (11) 28/5 refers].
- ii. Overall the change process is proceeding well. Key achievements include:
  - a. the Crown Entities Reform Bill has had its first reading and has been referred to the Government Administration Committee
  - b. the Health Promotion Agency (HPA) Establishment Board has been appointed, and has begun the strategic planning and HPA work plan development process
  - c. a plan has been agreed for transferring CHFA's property portfolio and residual functions, and a request for funding for the global offer to plaintiffs with historic psychiatric claims has been approved by Ministers
  - d. progress has been made on scoping the mental health advocacy and monitoring functions that are to be transferred to the Health and Disability Commissioner, with an 'Engagement with Consumers and Family/Whanau Review' recently completed. This process will be progressed further in January 2012, once the draft of the Blueprint II is available.
- iii. The key risk to the project remains delays in the legislative process. Such delays notwithstanding, the project is currently on track for the changes to take effect on 1 July 2012 as directed.

  
 Mervyn English  
**Executive Director, Health Sector Governance**  
**Office of the Director-General**

  
**Minister's Signature**  
 Date:

**Ministry of Health Contacts**

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## Advice

### Background

1. On 1 August 2011, Cabinet agreed to machinery of government changes including the disestablishment of four health Crown entities and the establishment of a new health promotion entity [CAB Min (11) 28/5 refers].
2. The changes are planned to take effect from 1 July 2012 and are as follows:
  - a. the Crown Health Financing Agency (CHFA) is to be disestablished, with some of its functions being transferred to the Ministry of Health, while others continue to be managed by the Treasury's Debt Management Office;
  - b. the Mental Health Commission (MHC) is to be disestablished, its advocacy and monitoring functions transferred to the Health and Disability Commissioner (HDC) and a Mental Health Commissioner role established within HDC; and
  - c. the Alcohol Advisory Council (ALAC) and the Health Sponsorship Council (HSC) are to be disestablished and some of their functions are to be combined in a new health promotion entity [to be known as the Health Promotion Agency (HPA)].
3. You noted implementation overview and plan for the project in September 2011 [Health Report 20111105 refers]. This report describes progress to date, overall and by entity.
4. Recent progress against the change process's 'critical path' is also attached, as **Appendix A**. Monthly reports against individual implementation plan tasks are available should you desire.

### Overall

5. The Crown Entities Reform Bill was introduced to the House on 29 September 2011, with a first reading on 4 October. It has been referred to the Government Administration Committee and is currently open for submissions.
6. While at this stage the legislative process is running to plan, the possibility of delays to the process is seen as a key risk for the project overall, as delays could significantly impact on the ability to implement the changes by 1 July 2012. The Committee was initially expected to report back to the House in late February. However, due to the Parliamentary recess, no dates have been set for the report back at this time. The setting of dates will be progressed with the Committee Clerk as soon as possible after the House has resumed. The State Services Commission (SSC) will be the principal advisors to the Select Committee, drawing on the expertise of the Ministry and entities as required.
7. A project Steering Group – comprising representatives of the Ministry, SSC and the Chairs of the five affected entities – has been established and is meeting on a monthly basis.
8. Each affected entity is in the process of refining change management plans, which will be submitted to the Steering Group for review.
9. Regular meetings are being held between Crown entity management and Ministry account managers, to ensure a good flow of communication about activities as they progress and to ensure any risks and issues are mitigated.
10. External communications about the project are also in place, including an initial letter to DHB Chairs and key stakeholders of ALAC and HSC. High-level information about the change project is publicly available on the Ministry's website and is updated regularly. It is expected that the HPA Establishment Board will engage with key stakeholders in determining the strategic direction for the HPA.

## CHFA

11. Ministry officials (including those from the National Health Board) and the Debt Management Office (for the lending function) have worked closely with CHFA to scope the future state of the property, residual and lending functions transferring to the Ministry.
12. Following discussions between officials and CHFA, the Ministry has recently written to the CHFA board to confirm the internal Ministry location of the property portfolio and residual functions (ie, the management of former psychiatric claims and management of Tourism and Travel House lease). The letter also seeks agreement around the timing and process to transfer these functions to the Ministry, and notes that:
  - CHFA should attempt to sell (and get added commercial value from) as many of the remaining six properties on its books until just prior to disestablishment, when any remaining ones would transfer to the Ministry
  - management of the remaining claims would be transferred to the Ministry upon completion of the global offer process and before 1 July 2012
  - management of the Tourism and Travel House lease will transfer to the Ministry as soon as practicable in 2012.
13. The CHFA board has seen an early draft of this letter and was comfortable with its contents.
14. Discussions on the lending function are continuing, and we expect to communicate our view to the CHFA board early in 2012 regarding the function's future location within the Ministry (as well as seeking the board's agreement on timing/process).
15. No decisions have been made on transferring any staff from CHFA to the Ministry to undertake functions or work going forward. It is expected that the Ministry will manage the remaining property portfolio using current resourcing. Given an early transfer, the Ministry may invoice CHFA for any property management costs related to managing the Tourism and Travel House lease up until entity disestablishment. A successful global offer is likely to minimise the number of outstanding historic claims, and will impact on the likely resourcing required going forward for this function. It is not yet clear whether the lending function will operate using transferred staff from CHFA. In the interim, it is expected that CHFA staff will be seconded by Health Benefits Limited to operate the shared banking arrangements for DHBs [Health Report 20111443 refers].

## MHC

16. Scoping of the advocacy and monitoring functions transferring to the HDC, and how these functions might be delivered in the future, is currently underway. The MHC has completed an 'Engagement with Consumer and Family/Whanau Review' to inform this process. The Service Development Plan and Blueprint II, when sufficiently developed, will provide the framework against which mental health and addiction service changes will be monitored and identify priority areas for advocating for further service development. A draft of Blueprint II will be available in January to inform discussions on the best ways to deliver advocacy and monitoring from within HDC.
17. Although its staff numbers have dropped to four, the MHC is confident it can deliver on its current Statement of Intent by engaging contractors and secondees.

**HPA**

18. An Establishment Board has been appointed to oversee the development of the HPA, and has now met twice. Terms of Reference and an indicative work plan have been agreed, and strategic planning for the new entity has commenced.
19. A secretariat is in the process of being established to support the Board, including an independent project manager and staff from the entities and the Ministry.
20. The recruitment process for the HPA's CEO Designate is also underway, with a recruitment consultant about to be engaged to assist the Board, and web-based advertising due to commence shortly. It is anticipated that this appointment will be made in April 2012.
21. Work is underway to determine the overall package of Ministry, HSC and ALAC programmes to transfer to the HPA. The issues intended to be covered by the HPA have previously been overseen by four Ministers. Officials advise that it would be desirable, when delegations are decided, that responsibility for the HPA's issues rest with one Minister.
22. Officials will liaise with your office to arrange a meeting with the HPA Establishment Board in the new year. Officials are also available to brief you on any other matters arising out of this progress report. The next scheduled progress report will be provided to you in March 2012.




<b>Minister's feedback on quality of report</b>				
Very poor (1)	Poor (2)	Neutral (3)	Good (4)	Very Good (5)

**END.**

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APPENDIX A: Recent progress against 'critical path'

 = on track  
 = being watched  
 = off track

	November	December	January	Comment
<b>General (all entities)</b>	<ul style="list-style-type: none"> <li>Draft change management plans to Steering Group.</li> </ul>		<ul style="list-style-type: none"> <li>Select Committee process.</li> </ul>	<p>Draft change management plans now received from all entities, and the Ministry is now working with entities to ensure they contain an appropriate focus and level of detail. Final drafts are to be submitted for the Steering Group's February meeting.</p>
<b>CHFA</b>	<ul style="list-style-type: none"> <li>Global Settlement Strategy to Ministers.</li> </ul>	<ul style="list-style-type: none"> <li>Agree with CHFA Board process and timing of transfer of property and residual functions.</li> </ul>	<ul style="list-style-type: none"> <li>Internal advice provided on transfer of lending function to Ministry and resource requirements.</li> </ul>	<p>The Ministry has recently written to the CHFA board to confirm the internal Ministry location of the property portfolio and residual functions, and to seek agreement around the timing and process to transfer these functions to the Ministry – a response is expected following the board's February meeting. Discussions around the lending function will continue in the new year.</p>
<b>MHC</b>	<ul style="list-style-type: none"> <li>Scoping of functions, any consultation on functions, and planning towards drafting HDC SOL.</li> </ul>			
<b>HPA</b>	<ul style="list-style-type: none"> <li>Establishment Board begins work.</li> <li>Project manager contracted.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic planning towards, and drafting of, SOL</li> <li>Secretariat continued</li> </ul>		

MINISTRY OF HEALTH – AUDIT TRAIL

**URGENT**

DUE DATE: 20/12/11 URGENT  SEMI-URGENT  ROUTINE

Title <i>Health CE Change Project: Dec 11 progress report</i>		Doctrak / Health Report / OIA / Ministerial # <i>HR 20111430</i>	
File Reference <i>HCO4-01-1</i>	Lotus Notes Database <i>Health Reports</i>	Lotus Notes Drawer <i>-</i>	Lotus Notes Folder <i>-</i>

RESPONSIBILITIES - CHECKED AND APPROVED BY (clearly print name and initial):

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**\*\*PLEASE ENSURE YOU CLEARLY PRINT YOUR NAME AND SIGN\*\***

BUSINESS UNIT SIGN OFF (if required, print sign and date)	CORPORATE SIGN OFF (if required, print sign and date)
DIRECTOR GENERAL <b>SIGNED OUT</b> DIRECTOR-GENERAL'S OFFICE <i>20/12/11</i>	CHIEF FINANCIAL OFFICER/FINANCE Date: / /
POLICY Date: / /	GOVERNMENT RELATIONS Date: / /
MAORI HEALTH Date: / /	COMMUNICATIONS Date: / /
CLINICAL LEADERSHIP, PROTECTION AND REGULATION Date: / /	HEALTH LEGAL Date: / /
NATIONAL HEALTH BOARD Date: / /	RISK & ASSURANCE Date: / /
SECTOR CAPABILITY AND IMPLEMENTATION Date: / /	OTHER Date: / /
CORPORATE SERVICES <i>WE</i> Date: / /	COMMENTS  <b>DESPATCHED</b> <b>21 DEC 2011</b>
CHIEF NURSE Date: / /	
COMMENTS	

IMPORTANT NOTE: Documents with "financial implications" must be approved by the Chief Financial Officer and the DD-G Corporate Services. Documents with IT implications must be approved by relevant Director Information Delivery and Operations