

Action required by: Routine

File number: HC04-01-1

Health report

Hon Tony Ryall

cc: Hon Jo Goodhew, Hon Peter Dunne

Health Crown Entity Change Project: April 2012 progress report



Executive summary

- i. On 1 August 2011, Cabinet agreed to machinery of government changes, including the disestablishment of four health Crown entities – the Alcohol Advisory Council of New Zealand, the Crown Health Financing Agency, the Health Sponsorship Council and the Mental Health Commission – and the establishment of a new health promotion entity [CAB Min (11) 28/5 refers].
- ii. You noted the implementation overview and plan for the project in September 2011 [Health Report 20111105 refers]. An initial progress report was provided in December 2011 [Health Report 20114430 refers]. This further progress report outlines key milestones achieved since then, and notes recent performance against the project's 'critical path' (**Appendix A**).
- iii. Overall, the project is proceeding well. The key risk remains delay in passing the Crown Entities Reform Bill. Ministry officials are working with the State Services Commission and Minister Coleman's office to mitigate this risk. Officials are also preparing contingency plans in case any delay looks likely to push the Bill's enactment beyond 1 July.

The Ministry recommends that you:

- a) **Note:** recent progress in the health Crown entity change project, including against the project's 'critical path' (**Appendix A**).

David Wood
Executive Director (Acting)
Health Sector Governance

Minister's Signature:
Date:

Copy to Taina Walford ✓
Hon Coleman's office

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Advice

1. On 1 August 2011, Cabinet agreed to machinery of government changes, including the disestablishment of four health Crown entities – the Alcohol Advisory Council of New Zealand (ALAC), the Crown Health Financing Agency (CHFA), the Health Sponsorship Council (HSC) and the Mental Health Commission (MHC) – and the establishment of a new health promotion entity, to be known as the Health Promotion Agency (HPA) [CAB Min (11) 28/5 refers].
2. You noted the implementation overview and plan for the change project in September 2011 [Health Report 20111105 refers] and were provided with an initial progress report in December 2011 [Health Report 201114430 refers]. Recent progress against the project's 'critical path' is attached (**Appendix A**).

General comments

Entities and reporting

3. In April 2012, it was agreed that the change project's Steering Group would convene only if circumstances require, as the project was progressing well.
4. The entities report on a monthly basis against their individual change management plans to the Ministry. A monthly report on progress is compiled from these and distributed to Steering Group members. Entities are largely on track against their plans, across those plans' numerous workstreams.
5. Fortnightly meetings are being held between the entities and Ministry account holders, to ensure a good flow of communication and that risks are being appropriately managed. Information about the project is also available on the Ministry's website and is updated as required.

Crown Entities Reform Bill

6. The Crown Entities Reform Bill was introduced to the House on 29 September 2011. It had its first reading and was referred to the Government Administration Committee (ADM) on 4 October 2011. ADM received 43 written submissions on the bill and heard 17 oral submissions. ADM reported back on 30 March 2012, recommending that the bill be passed with minor amendments. Only one of the recommended amendments relates to a health Crown entity: ADM agreed that all references to 'health' in the HPA's functions, duties and powers should be accompanied by '...and wellbeing', so as to ensure that the agency is not narrowly focused on medical considerations, and to explicitly reflect the Ottawa Charter (an international best-practice agreement on health promotion established by the World Health Organisation).
7. Officials still expect the Bill to pass prior to 30 June, as planned. The Bill not passing remains the project's key risk. Ministry officials are working with the State Services Commission (SSC) and Minister Coleman's office to mitigate this risk. Nevertheless, contingency plans are being developed in case there is unexpected delay. This will be the subject of a separate Health Report, should any delay seem likely.
8. Further, if the Bill is not passed by 31 May, there would be serious implications for the HPA transition process. In particular, until it is legally certain that the entity will come into existence, the staff transfer process cannot be undertaken. One month is the minimum timeframe required for this.

MHC

9. The MHC's corporate manager has accepted another job, but has agreed to work at the MHC for two days a week in April and one day a week in May and June to oversee the operational disestablishment. Excluding the corporate manager, only three staff members remain.

Nevertheless, the MHC expects to be able to largely deliver on its Statement of Intent (SOI) through the use of contractors and secondees.

10. The HDC has provided a first draft SOI setting out how the new mental health and addiction advocacy and monitoring functions will be carried out. The Mental Health Commissioner Designate (ie, the current MHC Chair) has provided comment, and this will be taken into consideration when the Ministry provides feedback to the HDC on the draft.
11. The Crown Entities Reform Bill provides that the MHC Chair is deemed to have been appointed as the first Mental Health Commissioner and holds that new office on the same terms and conditions as she held the former office. The current Chair's letter of appointment provides that she is 'full-time' but is silent on what this means in practice. To avoid future difficulties, we are looking to clarify the Chair's expectations around this. Further advice will be provided to you in due course.

CHFA

12. Good progress is being made around transferring the residual claims function, with the Global Settlement Offer to former psychiatric patients having a strong initial uptake. The Ministry will assume full responsibility on 30 June, but will be making payments on settled claims prior to this.
13. The T&T House lease transferred on 1 April. Properties held by CHFA will transfer to the Ministry on 30 June.
14. The National Health Board (NHB) has agreed to absorb the FTE requirements for undertaking the lending function. The NHB have identified the resourcing requirements of this function will be equivalent to 2.0 FTE (ie, a Senior Advisor and an Advisor). The Chair of the project Steering Group (David Wood) wrote to the CHFA board on 12 April to advise them of this. A briefing outlining how the NHB propose to implement the lending function is being prepared for you.

HPA

15. Transition planning is advancing well, with key decisions expected to be made in April and May on the draft strategic direction for the entity, accommodation and business systems, and staff transition and restructuring. The Establishment Board is engaging with HSC and ALAC staff on these matters. The ALAC Council and HPA Establishment Board have endorsed the proposed budget for alcohol-related activity for 2012/13. Advice on the initial steps of the levy-setting process has been provided to Minister Dunne [Health Report 20120294].
16. Mr Clive Nelson has been appointed CEO Designate of the HPA. Mr Nelson is starting to contribute to decisions and his input will increase as he exits his current employment. Officials will engage with you on appointments to the inaugural HPA board later in May.
17. The package of programmes that have been agreed to transfer from the Ministry to the HPA for 1 July 2012 includes sexual health, Māori public health promotion, immunisation (except influenza), health education resources, 'Like Minds Like Mine' and the national depression initiative. This package totals \$8.9 million of Non-Departmental Expenditure. The Establishment Board agreed in January that maintaining business-as-usual for individual programmes is critical until an integration process can be run in the new entity structure.
18. The sixth meeting of the Establishment Board was held on 16 April 2012. Following the Board's February meeting, the Chair met with you for the first time. Six-weekly meetings are now planned between the Chair, yourself, and Hon Jo Goodhew (who holds the Ministerial delegation for the HPA). Secretariat arrangements for the Establishment Board are working well, using a combination of Ministry staff, staff from the entities, and procured specialist resource.

Minister's feedback on quality of report				
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

	February	March	April	Comment
General (all entities)	<ul style="list-style-type: none"> Select committee process. 	<ul style="list-style-type: none"> Select committee process (SC reported on the Bill on 30 March recommending it pass with minor amendments). 	<ul style="list-style-type: none"> Advice on board appointments and membership. Financial recommendations by Ministers (Budget). 	While delays are not currently expected in the Bill's passage, officials are preparing contingency plans in case unexpected delays result in entities being in existence post 30 June 2012.
CHFA	<ul style="list-style-type: none"> Agree with Board process and timing of lending function transfer. Offer to residual psychiatric claimants open. 	<ul style="list-style-type: none"> Communications with DHBs on future of lending and other functions. 	<ul style="list-style-type: none"> Redundancy and recruitment processes begin, as appropriate. T&T House lease transferred to the Ministry on 1 April. Offer to residual psychiatric claimants open and continues until 30 April. 	Communication with DHBs on the future of lending and other functions will occur in May.
MHC	<ul style="list-style-type: none"> Scoping of functions. Planning towards, and drafting of, SOI. 	<ul style="list-style-type: none"> HDC provides a 1st draft SOI incorporating the new mental health & addiction monitoring and advocacy functions. 	<ul style="list-style-type: none"> Resourcing and operating decisions made. Redundancy processes begin, as appropriate. Feedback on SOI provided to HDC. 	The MHC wind-up is proceeding according to plan. The HDC has raised concerns about one-off costs of the transition of functions to the HDC, which the Ministry is currently investigating.



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	February	March	April	Comment
HPA	<ul style="list-style-type: none"> Strategic planning towards, and drafting of, SOI. 	<ul style="list-style-type: none"> Recruitment process for CEO Designate continues. <ul style="list-style-type: none"> Ministry confirms package of programmes to transfer. 	<ul style="list-style-type: none"> Strategic planning towards, and drafting of, SOI continues. CEO Designate appointed. Resourcing and operational decisions made. Redundancy and recruitment processes begin, as appropriate. 	Package of programmes to transfer from the Ministry has been endorsed by the HPA Establishment Board and Director-General.
	<ul style="list-style-type: none"> Recruitment process for CEO Designate continues. 			

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Due date: 30/04/12

Urgent (24 hours)

Semi-urgent (3 days)

Routine (1 week)

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Responsibilities

checked and approved by (clearly print name and sign):

Author/person and business unit [content / quality] Karen Bell Date: 24/4/12 Extn: 3356	Peer review [content / quality] Jodi Caughley Date: 26/4/12 Extn: 2693
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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 Date: 2/5	Chief Financial Officer / Finance Date:
Policy Date:	Communications Date:
Māori Health Date:	Health Legal Date:
Clinical Leadership, Protection and Regulation Date:	IT Date:
National Health Board Date:	Other Date:
Sector Capability and Implementation Date:	Comments
Corporate Services Date: 2/5/12	
Chief Nurse Date:	

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