

Action required by: Routine

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# Health report

Hon Jo Goodhew

cc: Hon Tony Ryall

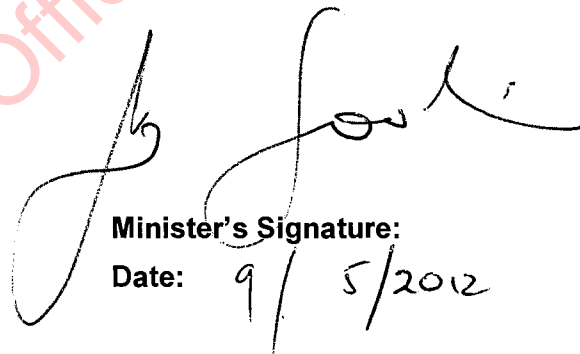
Establishment of the Health Promotion Agency [Briefing Request 201203/89]

## Executive summary

- i. You have requested a briefing on the Health Promotion Agency (HPA). This briefing:
  - a. outlines background on the HPA's formation
  - b. provides high-level information on establishing the HPA, including updates on the HPA Establishment Board, transition planning and the Chief Executive Officer (CEO) Designate's appointment.
  - c. discusses the legislative process around the Crown Entities Reform Bill, including the risk that the Bill will not be passed before 31 May 2012 thus potentially delaying a 1 July start.
- ii. Six-weekly meetings on the HPA between yourself, Minister Ryall, Minister Dunne and senior officials are due to begin on Tuesday, 8 May 2012.
- iii. This briefing has no recommendations.



**David Pannett**  
 Manager, Governance & Crown Entities  
 Officer of the Director-General



**Minister's Signature:**  
 Date: 9/5/2012

## Ministry of Health Contacts:

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## 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, following the passage of the Crown Entities Reform Bill (the Bill). The Alcohol Advisory Council of New Zealand (ALAC) and the Health Sponsorship Council (HSC) are to be disestablished and some of their functions, along with some Ministry of Health health promotion programmes, are to be amalgamated in the new Health Promotion Agency (HPA).
3. As Associate Minister of Health with responsibility for the HPA, you will have the principal relationship with the new HPA once it is established. Six-weekly meetings on the HPA, between yourself, Minister Ryall, Minister Dunne and senior officials, will begin on Tuesday, 8 May 2012. Officials will provide briefings on the activities of the HPA for these meetings (starting from the next meeting, planned for 19 June 2012). In addition, six-weekly meetings will be scheduled for you with the HPA Establishment Board Chair. Officials are working to set the next date for this meeting.

## Establishing the HPA

4. Currently in the public health sector, ALAC, HSC and the Ministry of Health, among others, work on health promotion activities.
  - ALAC works with individuals and organisations to change drinking patterns and minimise harm from drinking.
  - HSC works to reduce the social, financial and health sector costs of smoking, skin cancer, problem gambling, poor nutrition and sedentary lifestyles.
  - The Ministry contracts with social marketing organisations to assist in promoting its wider priority programmes (eg, immunisation, national depression initiatives, screening, etc).
5. Creating the HPA will ensure that national health promotion programmes are carried out by a single arm's-length entity with broader health promotion objectives, allowing programmes and messages to be properly aligned.
6. The Bill amends the New Zealand Public Health and Disability Act 2000 to establish the HPA and sets out its functions as per clause 6:

“HPA must lead and support activities for the following purposes:

  - (a) promoting health and encouraging healthy lifestyles:
  - (b) preventing disease, illness, and injury:
  - (c) enabling environments that support health and healthy lifestyles:
  - (d) reducing personal, social, and economic harm.”
7. In addition, the Bill also retains ALAC's autonomous advisory function on alcohol matters and the alcohol levy. The levy currently funds ALAC's activities and is taken from liquor imported and manufactured in New Zealand.

### *HPA Establishment Board*

8. In November 2011, the Minister of Health appointed the HPA Establishment Board. The Establishment Board is chaired by Dr Lee Mathias, with members Katherine Rich and Professor Grant Schofield. The existing Chairs of ALAC and HSC, Rea Wikaira and Hayden Wano, are also members of the Establishment Board. Profiles of Establishment Board members are attached as **Appendix A**, as well as the Establishment Board's Terms of Reference.

9. The Establishment Board is setting the strategic direction for the HPA and overseeing the HPA's operational establishment. The Establishment Board has also selected a CEO Designate and is about to start consultation on a proposed 'tier 2' structure for the entity.
10. The Establishment Board meets monthly with its next meeting planned for Monday, 14 May 2012. Secretariat arrangements for the Establishment Board are working well, using a combination of Ministry staff, staff from the entities, and procured specialist resource.
11. HPA board appointment processes will be initiated shortly. You will be engaged in the process, with the Minister of Health making the final appointments.

#### *Transition planning*

12. Transition planning is advancing well, with key decisions on the HPA's vision and mission, strategic direction and business systems already made. Other key decisions on accommodation, and staff transition and restructuring are expected to be made in May. An April update on the Health Crown Entity Change Project was provided to Minister Ryall and has been copied to you [Health Report 20120437 refers]. The Establishment Board is engaging regularly with HSC and ALAC staff.
13. The ALAC Council and the 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, with the levy figure being approved by both Minister Dunne and the Minister of Finance [Health Report 20120294 refers]. The levy will come into effect on 1 July 2012.
14. The package of programmes that have been agreed to transfer from the Ministry of Health to the HPA for 1 July 2012 include sexual health, Māori public health promotion, immunisation (except influenza), health education resources ('Get on it!'), 'Like Minds Like Mine' and the National Depression Initiative. This package totals \$8.9 million of Non-Departmental Expenditure.

#### *CEO Designate appointment*

15. Mr Clive Nelson has been appointed CEO Designate of the HPA. Mr Nelson is currently the corporate strategy and communications manager for Watercare Services Limited. While in this role, he was seconded to work alongside the executive chairman and board of the Auckland Transition Agency, managing communications and stakeholder relations during the creation of the Auckland 'supercity'. Prior to this he worked for many years in newspapers – as a reporter, features editor and editor for UK and New Zealand titles, before becoming business manager of Fairfax's Sunday Newspapers and general manager of the company's national and specialist publishing group.
16. Mr Nelson will officially take up his new role when the HPA is established. In the interim, Mr Nelson is starting to contribute to decisions and his input will increase as he exits his current employment.

#### **Legislative process**

17. 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 related 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).

18. The Bill not being passed remains a key risk to the establishment of the HPA. Officials have been advised that the Bill is likely to have its Second Reading in the week commencing 8 May, undergo the Committee of the Whole House stage in the week commencing 22 May, but not actually be passed until the third week in June. 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. In addition, the HPA is not able to enter into any contracts for facilities (including buildings) and services until the new entity exists.
19. On-going delays heighten material risks for ALAC, HSC and the new HPA. These risks include reduced morale, a lack of focus on work and higher flight risk for critical staff. In addition project costs increase (Establishment Board costs, as well as contractors) and the achieved savings from the project decrease.
20. Ministry officials are working with the State Services Commission and Minister Coleman's office to mitigate this risk. Nevertheless, contingency plans are being developed in case there is unexpected delay. These will be the subject of a separate Health Report to Minister Ryall, copied to you, should any delay seem likely.

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

END.

**Appendix A:** HPA Establishment Board profiles and Terms of Reference

(attached)

Released under the Official Information Act 1982

## **Members of the Health Promotion Agency Establishment Board**

### *Dr Lee Mathias – Chair*

A former nurse, Dr Mathias has an extensive background in health service management and governance, and currently operates the consultancy firm Lee Mathias Ltd. Dr Mathias was elected to the Auckland DHB and appointed its Deputy Chair in 2010. She is also a current member of the Midwifery Council. Previous governance roles have included directorships of the Accident Compensation Corporation (Chairperson of ACC Healthwise), Birthcare Auckland Ltd, Pacific Health Ltd, and Focus 2000 Ltd (Deputy Chair).

### *Ms Katherine Rich*

Ms Rich is the current Chief Executive of the New Zealand Food & Grocery Council and Chair of the Food Industry Group. Ms Rich has a longstanding involvement in national leadership on social issues. Following her retirement from Parliament in 2008, she was appointed Chair of the Plunket Foundation; Chair of Child Youth & Family's Fresh Start Panel; and Chair of the Agriculture ETS Advisory Committee. She currently continues in these roles.

### *Professor Grant Schofield*

Professor Schofield is an expert in aspects of public health relating to physical activity and nutrition. He is currently Professor of Public Health at AUT University and Director of AUT's Centre for Physical Activity and Nutrition. Professor Schofield's research and teaching in New Zealand and Australia has focused on physical activity and nutrition, particularly as it relates to children and youth, primary care, and workplaces as settings for health promotion.

### *Mr Hayden Wano*

Mr Wano is the current Chair of HSC. He has over 20 years' experience in senior health management. He is Chief Executive of Tui Ora Limited (a Māori development organisation) and the General Manager of Iwi and Community Midland Health Network. Mr Wano is also a member of the National Health Board. He was previously a Director of Clinical Services with Taranaki Healthcare Limited, and Chair of the Taranaki District Health Board from 2000 to 2007.

### *Mr Rea Wikaira*

Mr Wikaira is the current Chair of ALAC. Mr Wikaira is currently employed as Executive Trustee of the Central Region Emergency Services Trust and prior to this he was Chief Executive of the Auckland Westpac Rescue Helicopter Trust. He has previously served on a number of government boards in various roles including: Director of Health Waikato; Vice Chair of the New Zealand Lottery General Grants Board; and Chair of the 'Year of the Māori Language' Grants Board. Mr Wikaira has also been a serving Justice of the Peace for the last 20 years.

## HEALTH PROMOTION AGENCY ESTABLISHMENT BOARD: TERMS OF REFERENCE

### Purpose

These Terms of Reference set out the role and scope of the Establishment Board of the Health Promotion Agency, the formation of which was agreed to by Cabinet on 1 August 2011 [CAB Min (11) 28/5 refers].

These Terms of Reference should be read in conjunction with the Implementation Overview and Plan for the Health Crown Entity Change Project, and the Terms of Reference for the Health Crown Entity Change Project Steering Group.

### Background

On 11 August 2011, the Minister of State Services announced the disestablishment of the Alcohol Advisory Council of New Zealand (ALAC) and Health Sponsorship Council (HSC), and the transfer of their functions to an arm's-length health promotion entity, combining the relevant functions of ALAC, the HSC and the Ministry of Health. The entity is to be known as the Health Promotion Agency.

The changes are part of the Government's ongoing programme to improve value-for-money, innovation and high quality service provision across the State sector. The objective of the changes is to improve co-ordination, reduce fragmentation and ensure more effective and efficient delivery of services.

### Context

The following were identified as the potential benefits of combining the delivery of health promotion functions into one arm's-length entity:

- improved coordination of programmes
- improved decision-making across all health promotion activity
- improved value-for-money from spend
- greater commercial discipline
- better use of skills and expertise across the sector
- removed duplication of processes and functions
- streamlined administrative processes and functions.

Cabinet has agreed that the Health Promotion Agency will be established under the New Zealand Public Health and Disability Act 2000, and will be a Crown agent for the purposes of the Crown Entities Act 2004. The Crown Entities Reform Bill (introduced to the House on 29 September 2011) provides for the name, board size, and functions and powers of the entity.

Cabinet also agreed to retain the independent evidence-based advisory role of ALAC and that this function be provided for in legislation. The ALAC levy will also be

retained to address alcohol-related harm and will contribute to a share of the operating costs of the new entity that relate to alcohol-related activities.

An initial package of programmes has been identified that could transfer from the Ministry of Health to the new entity. Further work is required to determine how and when these programmes will transfer to ensure performance.

The Ministers of Finance and State Services have announced that savings estimated at \$7.5 million will be achieved over four years from the new entity, offset by one-off transition costs of \$0.4 million.

### **Objective of the Establishment Board**

The objective of the Establishment Board is to govern the establishment of the new Health Promotion Agency.

### **Membership, qualifications and fees**

The Minister of Health will appoint members of the Establishment Board. The Establishment Board will consist of no more than five members, including the Chair, and will collectively have the following skills/experience:

- experience in governing change processes/mergers
- knowledge of ALAC and HSC
- public health knowledge
- an understanding of health promotion/social marketing
- business knowledge/acumen.

The term of appointment is set out in individual members' appointment letters. The Minister may alter the terms of appointment, or remove a member of the Establishment Board, at any time and entirely at the Minister's discretion. A member may resign his/her appointment by written notice to the Minister. As with members' accountabilities (set out below), the qualifications of members are expected to be consistent with the requirements set out in section 30 of the Crown Entities Act 2004.

The Establishment Board may draw on external expertise as required, and may appoint expert advisors to assist it in its role, after discussing the financial implications of any such appointment with the Ministry of Health. Expert advisors are not members of the Establishment Board and do not have voting rights.

A quorum will comprise half plus one member and include the Chair of the Establishment Board.

The Establishment Board will meet approximately monthly or as often as is necessary to carry out its role in the timeframe provided.

Fees for members of the Establishment Board are set in accordance with the Cabinet Fees Framework (ie, a Group 4 Level 2 body at \$655 per day for the Chair and \$415 per day for members; pro-rata, to a maximum of eight hours per day). In addition to



fees, members are entitled to be reimbursed for actual and reasonable expenses incurred while carrying out the duties of the Establishment Board. Any reimbursement is to be in accordance with the Cabinet Fees Framework.

### **Accountability**

The Establishment Board is accountable to the Minister of Health, through the Chair.

While not appointed under the Crown Entities Act 2004, the actions of members of the Establishment Board, both individually and collectively, are expected to be consistent with the accountability requirements set out in that Act, including acting:

- consistently with the objectives and functions of the new entity that have been agreed by Cabinet or Ministers
- in a financially responsible manner
- with honesty and integrity
- in good faith
- with reasonable care, diligence and skill.

### **Deliverables**

The specific deliverables of the Establishment Board include:

- setting the strategic direction of the new entity (taking into account Government priorities)
- selecting a Chief Executive designate
- overseeing the transition from ALAC and HSC to the new entity, including working with the existing ALAC and HSC boards to ensure activities continue to be delivered through the transition
- making decisions that relate to the operational establishment of the entity, including developing draft budgets, determining the required organisational infrastructure and, with the Chief Executive designate, determining the initial structure of the entity and personnel
- working with the Ministry of Health to agree the package of programmes to transfer from the Ministry, including how and when programmes will transfer
- preparing draft accountability documents for the consideration of the Minister of Health, including a draft Statement of Intent
- providing advice to the Minister of Health (and other Ministers as relevant), the Director-General of Health and the Health Crown Entity Change Project Steering Group, as required.

Ministerial servicing relating to the establishment of the Health Promotion Agency will be carried out by the Ministry, in consultation with the Establishment Board.

## **Other expectations of the Establishment Board**

The Government's expectations for statutory Crown entities are set out in an annual Letter of Expectations (sent by the responsible Minister) and the Enduring Letter of Expectations (sent by the Ministers of Finance and State Services). The Establishment Board will receive these on behalf of the new entity, to assist it in its strategic planning.

## **Indicative timeframe**

The Crown Entities Reform Bill was introduced into the House on 29 September 2011. The first reading of the Bill was on 4 October 2011 after which it was referred to the Government Administration Select Committee. Submissions are currently open. The Select Committee timetable will be set by the Chair of the Committee in due course.

Enactment of the Bill will depend on a number of factors, but is expected between March and June 2012. Changes are expected to come into effect on 1 July 2012.

## **Reporting**

Regular written progress reports on the establishment of the Health Promotion Agency will be provided to the Minister of Health and Ministry of Health.

The Establishment Board must work to meet the statutory timeframes that relate to specific deliverables, such as timeframes for the development of Statements of Intent set out in section 140 of the Crown Entities Act 2004.

In addition to formal reports and advice, the Establishment Board will operate on a 'no surprises' basis, which means providing the Minister and Ministry with early warning of any relevant issues before they arise, so that these can be dealt with further if necessary.

A 'no surprises' way of working is not intended to interfere with the Establishment Board's roles and functions, nor with its operational responsibilities. Rather, it covers circumstances where it is prudent to disclose issues that may require a Ministerial or Ministry response, are possibly considered contentious, or which may attract wide public interest (be it positive or negative). Open and effective communication between the Establishment Board and the Minister and Ministry is vital to building strong relationships, while maintaining clear lines of accountability.

## **Secretariat and resourcing**

The Establishment Board will be serviced by a Secretariat provided by the Ministry of Health. The Secretariat will include administrative, policy and analytical support to the board and will draw on the wider Ministry, central agencies and individual entities, as relevant. The Secretariat will be accountable to the Ministry for its performance.

The work of the Establishment Board and Secretariat are considered a 'cost of change', which is expected to be met by the individual entities (eg, from reserves).

The Ministry will meet the cost of the Establishment Board and Secretariat in the interim, instead of this falling to either ALAC or HSC. Costs met by the Ministry will be recovered when cash and assets are transferred to the new entity, or back to the Crown as appropriate.

Key contacts in the Ministry are:

<b>Caroline Heath</b> Relationship Manager and Health Crown Entity Change Project Lead  DDI: 04 816 2678 Mob: s 9(2)(a) Caroline_Heath@moh.govt.nz	<b>David Pannett</b> Manager, Governance & Crown Entities  DDI: 04 496 2309 Mob: s 9(2)(a) David_Pannett@moh.govt.nz	<b>Mervyn English</b> Executive Director, Health Sector Forum & Governance  DDI: 04 816 3949 Mob: s 9(2)(a) Mervyn_English@moh.govt.nz
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### External engagement

While formal consultation on the changes will occur through the Select Committee process, there may be need for the Establishment Board to engage with key stakeholders separately. Engagement with stakeholders needs to take into account the legislative process and be coordinated with the Health Crown Entity Change Project Steering Group and Project Team.

### Disclosure of interests

As with members' accountabilities and qualifications (set out above), members of the Establishment Board are expected to act consistently with the conflict of interest disclosure rules set out in the Crown Entities Act 2004 (sections 62-65).

### Confidentiality

The proceedings of the Establishment Board are subject to the Official Information Act 1982.

### Future role of members of the Establishment Board

Once legislation has been amended to establish the entity, an initial governance board for the Health Promotion Agency will be appointed by the Minister of Health. Any future role for members of the Establishment Board will be considered as a part of this process.