



18 APR 2023

Tēnā koe Naomi

## **Letter of Expectations 2023/24 for Health Infrastructure Portfolio**

I would like to express my thanks to you and your colleagues on the Board for your efforts supporting the delivery of health infrastructure throughout New Zealand. Health infrastructure is a key enabler to support improved health and wellbeing for all New Zealanders and I acknowledge the significant work underway across the infrastructure portfolio.

The health reforms are facilitating a big change in how we deliver health services to New Zealanders – this includes a significant shift in the delivery of health infrastructure. New strategy and reporting mechanisms have been established to support this transition including through the Interim Government Policy Statement on Health, Te Pae Tata the Interim New Zealand Health Plan and new health capital settings as agreed by Cabinet in March 2022 [SWC-MIN-22-0063].

It is important that the health infrastructure portfolio aligns its planning and reporting to these documents. My focus for health infrastructure reflects these documents, in particular, I want you to ensure that Te Whatu Ora:

- has in place appropriate capital settings and structures to support its investment and asset management functions;
- demonstrates improved investment planning and decision making; and
- ensures progress of approved and prioritised projects.

Delivery in the above focus areas and wider priorities within this Letter and outlined in Manatū Hauora's Investment Monitoring Framework in appendix 1 will give me greater assurance that the capital delegations are ready to increase in July 2024.

I have several specific priorities that I also expect progress on.

### ***Infrastructure Operating Model***

A top priority for Te Whatu Ora in 2023/24 is having the right structures in place to support the improvements in investment and asset management. I expect that you will implement your Infrastructure Operating model, including clarifying roles locally, regionally, and nationally. I also expect you to roll-out and operationalise the Infrastructure Governance model for major projects to ensure appropriate support is provided for these key investments before the end of the 2022/23 financial year.

### ***Monitoring framework and report backs***

A focus for 2023/24 is improving the quality, accuracy, and timeliness of Te Whatu Ora investment reporting. It is great to see the progress that has been made to date. I expect you to continue to implement improvements for the currently reported portfolio by 1 July 2023 and work towards a whole-of-portfolio view (including self-funded projects) over the year in

line with the expectation of providing the Government with an integrated organisational view.

The Investment Plan and Asset Management Strategy (due December 2023) are key outputs to support the success of the system. They will also be used to assess your maturity. I expect Te Whatu Ora to engage closely with Manatū Hauora and other monitoring agencies through the development of these documents, and to report monthly on progress.

### ***Delivery of existing projects***

The Government has invested significant additional funding in health infrastructure.

I would like to reiterate my expectation that Te Whatu Ora will proceed at pace with the delivery of all infrastructure projects that have been previously prioritised or approved. If there are reasons why any of these projects cannot be progressed, joint approval of myself and the Minister of Finance will be required.

I expect you to manage the delivery of current infrastructure projects within the existing Te Whatu Ora capital budgets, including self-funding and the Health Capital Envelope.

A priority will be to set clear milestones and timelines for each project. I also expect you to manage the performance of your infrastructure portfolio to identify and mitigate risks as the projects proceed to ensure that the expected budget and timeframes are met.

### ***Maintenance of facilities and equipment***

Te Whatu Ora now manages a significant asset base and it is important that this is adequately prioritised and assessed within the organisation. Te Whatu Ora must continue to maintain its asset base to meet the demand for services. I expect Te Whatu Ora will allocate a sufficient self-funded budget for this purpose, and report at an aggregate level.

### ***Relationship with Manatū Hauora and other monitors***

Manatū Hauora is my agent to support my role in monitoring the performance of health system. I expect you to work closely and collaboratively with Manatū Hauora and provide them with timely information required to support its monitoring role in the system. This includes, Te Whatu Ora sharing business cases, Committee and Board papers with Manatū Hauora officials at an early stage. I also expect you to ensure that other monitors, including Te Aka Whai Ora and the Treasury, receive appropriate timely information.

### ***Application of decision rights***

Ensuring that you comply with the current settings is important. However, as the capital settings for Health approved by Cabinet last year [SWC 2022-MIN-0063] did not specify decision rights for changes in scope or budget of existing approved projects, any changes will require joint approval from myself and the Minister of Finance, until new thresholds are in place.

If the current settings require clarification, or compromise the timely delivery of projects, please work with Manatū Hauora to identify options, so that Manatū Hauora can prepare advice for my consideration.

I know you share my commitment to realising benefits from infrastructure and delivering improved and equitable health outcomes across the motu. I look forward to working with you and your Board.

Nāku noa, nā



Hon Dr Ayesha Verrall  
**Minister of Health**

cc Fepulea'i Margie Apa, Chief Executive, Te Whatu Ora | Health New Zealand

# Hon Dr Ayesha Verrall

Minister of Health  
Minister of Research, Science and Innovation



## Appendix 1 – Investment Monitoring Framework developed by Manatū Hauora

Expectation	Interim Reporting (May 2023 – December 2023)	Future (December 2023 – July 2024)	Alignment with Government priorities
<p>Te Whatu Ora has in place capital settings and structures to support its roles</p>	<p>Demonstrate progress for key structures and settings</p> <p>Work programme/implementation plans (with clear milestones) provided by Te Whatu Ora for priority/core workstreams, and monthly reporting to Manatū Hauora of progress beginning July 2023, including implementation of:</p> <ul style="list-style-type: none"> <li>• infrastructure operating model</li> <li>• governance model for major projects</li> <li>• governance model for data and digital</li> <li>• other</li> </ul> <p>Documentation provided in May 2023 for agreed policies:</p> <ul style="list-style-type: none"> <li>• delegation policy</li> <li>• WOLC</li> </ul> <p>Provide input into key capital settings work (eg. alternative financing, alignment of capital to the multi-year funding of operating expenditure)</p>	<p>Models in place (including review as appropriate).</p> <p>Role of local, regional and central Te Whatu Ora elements clear and consistently applied (including Localities) as evidenced by monthly reporting to Manatū Hauora beginning July 2023</p>	<p>Cabinet [SWC-22-MIN-0063] directed Manatū Hauora to report to the Minister of Finance and Minister of Health annually on the enhancement of infrastructure management, including the structure to support asset and investment management and investment delivery, standardise practice, and clarify roles and responsibilities at the local, regional and national level. Report-back to Cabinet with the first annual report-back by 31 July 2023 with the Treasury and Te Waihanga as signatories.</p> <p>Interim Government Policy Statement on Health: Health entities will build systems and processes that support consolidation of infrastructure investment capability and capacity...</p> <p>Te Pae Tata Implementation Plan – Te Whatu Ora will implement a national, regional and local organisation structure that unifies and simplifies the system using a consistent standardised operating model for corporate functions, including people and culture, finance, commissioning, hospital and specialist, data and digital and infrastructure.</p> <p>Cabinet [SWC-22-MIN-0063] directed that Manatū Hauora, Te Whatu Ora, Te Aka Whai Ora and the Treasury provide report-backs to Joint Ministers on financial settings by 31 July 2023.</p>
<p>Demonstrate planning and prioritisation of future workstreams</p>	<p>Overarching work programme for next two years, including all key capital streams identified in accountability documents, provided to Manatū Hauora in July 2023.</p>	<p>Progress against expected workstreams as reported monthly to Manatū Hauora beginning July 2023</p>	<p>As for Interim Government Policy Statement on Health as above.</p>
<p>Establish good relationships with clear roles and responsibilities</p>	<p>Reporting against 2023 Infrastructure Letter of Expectations provided monthly to Manatū Hauora beginning July 2023</p> <p>Appropriate, timely information provided to all monitoring agencies, including business cases, Board and Committee decisions, and monthly reporting to Manatū Hauora under this framework beginning July 2023</p>		<p>Interim Government Policy Statement on Health - Establish a one-system culture and ethos: Health entities will establish strong relationships, processes and ways of working to ensure a focus on improving health outcomes and achieving equity. This will include creating positive and productive relationships at all levels with Te Tiriti partners and between entities, health providers, the Ministry of Health, wider government, sectors and agencies and community partners.</p>

Expectation	Interim Reporting (May 2023 – December 2023)	Future (December 2023 – July 2024)	Alignment with Government priorities	
<p>Te Whatu Ora demonstrates improved investment management planning and decision-making</p>	<p><b>Progress the delivery of the Asset Management Strategy and Investment Plan</b> Work programme/implementation plans (with clear milestones) provided by Te Whatu Ora by April 2023, and monthly reporting of progress against these beginning July 2023</p> <p><b>Demonstrate progress of key deliverables to improve investment planning and decision making</b> Work programme/implementation plans (with clear milestones) provided by Te Whatu Ora for priority/core workstreams by April 2023, and monthly reporting of progress beginning July 2023:</p> <ul style="list-style-type: none"> <li>improving the business case process (including prior completion of all expected planning inputs, consistency with Treasury Better Business Case format, Whole of Life Costs, meeting requirements of Carbon Neutral Government programme)</li> <li>standardised design for new investments (date tbc)</li> <li>standardised procurement plans (date tbc)</li> </ul> <p><b>Demonstrate planning and prioritisation for future workstreams</b> Overarching work programme identified for next two years, including all key capital streams identified in accountability documents and progress reported in monthly reporting to Manatū Hauora beginning July 2023</p>	<p>Quality National Asset Management Strategy and Infrastructure Investment Plan delivered by December 2023 (Manatū Hauora, Treasury and Te Waihanga will develop separate criteria to be developed for assessment of quality).</p> <p>Investor Confidence Rating assessment or equivalent Health-specific rating to be developed and agreed by Manatū Hauora, the Treasury and Te Waihanga.</p>	<p>Interim Government Policy Statement on Health and SWC-22-MIN-0063: development of an Investment Strategy and the National Asset Management Strategy to be submitted to Cabinet by December 2023 in support of a fully costed New Zealand Health Plan.</p> <p>Te Pae Tata Implementation Plan - Deliver a National Asset Management Strategy and Capital Investment Plan by December 2023 including the information solution strategy, requirements and road map for asset management and investment analysis.</p> <p>New business cases meet the requirements of the Treasury's Better Business Cases</p> <p>Te Pae Tata Implementation Plan - Develop design standards for Aotearoa health facilities, contributing to and building on the Australasian Health Facility Guidelines.</p> <p>Te Pae Tata Implementation Plan - Improve the interoperability of data and digital systems across the hospital network, and between primary, community and secondary care settings.</p> <p>Interim Government Policy Statement - Reduce the health system's environmental impact. The health system should meet the requirements of the Carbon Neutral Government Programme, to achieve a 25 percent reduction in relevant emissions by 2025. This should include setting specific targets for emissions from all levels of the system and prioritising early actions to reduce emissions and waste.</p> <p>Interim Government Policy Statement - Implement a climate sustainability and response plan across the health sector.</p>	<p>Te Pae Tata Implementation Plan - Create and implement actions to deliver national consistency in data and digital capability and solutions across Te Whatu Ora, including streamlining duplicate legacy systems inherited from DHBs and Shared Service Agencies to improve intra-operability and reduce operating costs.</p> <p>Te Pae Tata Implementation Plan - Establish accessibility standards with the disabled community for all new builds, new contracts and new services including transport and mobility options, and develop a plan to make existing infrastructure, services and environments compliant with new standards.</p>

<p><b>Expectation</b></p>	<p><b>Interim Reporting (May 2023 – December 2023)</b></p> <p>Deliver robust, timely portfolio reporting</p> <p>Enhanced investment reporting from July 2023, including:</p> <ul style="list-style-type: none"> <li>• Current reporting portfolio and Data &amp; Digital</li> <li>• Clear milestones for all projects (planned and actual)</li> <li>• Improved Red/Amber/Green measures</li> <li>• Risk identification and mitigation</li> <li>• Key themes from the portfolio identified, including drivers of cost increases</li> <li>• Up to date cash -actual and forecasts (individual projects and portfolio) and tracking to show material deviation</li> <li>• risks against Health Capital Envelope appropriation identified with confidence and timing</li> </ul>	<p><b>Future (December 2023 – July 2024)</b></p> <p>Reporting includes whole of portfolio.</p> <p>Completeness and accuracy of reporting continues to improve.</p>	<p><b>Alignment with Government priorities</b></p> <p>2023 Infrastructure Letter of Expectations.</p>
<p><b>Deliver improved capital financial reporting</b></p> <ul style="list-style-type: none"> <li>• includes depreciation and maintenance</li> </ul>	<p><b>Deliver improved capital financial reporting</b></p> <ul style="list-style-type: none"> <li>• includes depreciation and maintenance</li> </ul>		<p>Cabinet directive SWC-22-MIN-13: Noted that Te Whatu Ora will be advised of the Ministerial expectation that it will provision sufficient funding for the replacement and maintenance of its asset base.</p>
<p><b>Improve the quality of business cases</b></p> <p>Enhanced investment planning in new business cases from July 2023: (see separate guidance, but expectations are that all meet Treasury Better Business Case requirements will be met, and investments will have, and be consistent with, quality Site Master Plan, Clinical Services Plan, use Whole of Life Costs, comply with Australasian Health Facilities Guidelines, explore options including non-capital - or deviation explained).</p>	<p><b>Improve the quality of business cases</b></p> <p>Enhanced investment planning in new business cases from July 2023: (see separate guidance, but expectations are that all meet Treasury Better Business Case requirements will be met, and investments will have, and be consistent with, quality Site Master Plan, Clinical Services Plan, use Whole of Life Costs, comply with Australasian Health Facilities Guidelines, explore options including non-capital - or deviation explained).</p>		<p>The Treasury's Better Business Case process</p> <p>Manatū Hauora checklist for business cases</p>
<p><b>Enhanced asset management practice</b></p> <ul style="list-style-type: none"> <li>• baseline established</li> <li>• timing of Asset Management Maturity Index assessment agreed and planned</li> </ul> <p>Frequency of reporting to Manatū Hauora and the Treasury</p>	<p><b>Enhanced asset management practice</b></p> <ul style="list-style-type: none"> <li>• baseline established</li> <li>• timing of Asset Management Maturity Index assessment agreed and planned</li> </ul> <p>Frequency of reporting to Manatū Hauora and the Treasury</p>		<p>Vote Health Estimates of Appropriations 2022/23 performance measure for Health Capital Envelope: Te Whatu Ora is seen as a high quality asset manager for the health estate as measured by the Asset Management Maturity Index for the health portfolio (expect 40-60%); with continuous improvement programme to achieve 75-85% in future years. The performance measure information provided support the expectations outlined in the Health Capital Settings Cabinet Paper and subsequent Letter of Expectations.</p> <p>Vote Health Estimates of Appropriations 2022/23 performance measure for Health Capital Envelope and SWC-22-MIN-0063: Te Whatu Ora and Manatū Hauora- HNZ provides an annual update to the Ministers of Health and Finance on the improvement programme's enhancement of the asset and investment management framework.</p>

Expectation	Interim Reporting (May 2023 – December 2023)	Future (December 2023 – July 2024)	Alignment with Government priorities
	<p><b>Develop a robust approach for Data and Digital planning</b></p> <ul style="list-style-type: none"> <li>Further detail to be confirmed by Manatū Hauora.</li> </ul>	<p>To be confirmed.</p>	<p>Te Pae Tata Implementation Plan - Create and implement actions to deliver national consistency in data and digital capability and solutions across Te Whatu Ora including streamlining duplicate legacy systems inherited from DHBs and Shared Service Agencies to improve intra-operability and reduce operating costs</p> <p>Te Pae Tata Implementation Plan - Develop and agree the plan to invest in data and digital infrastructure to support the establishment of the National Public Health Service – Budget 22.</p>
<p>Te Whatu Ora ensures progress of prioritised and approved projects</p>	<p><b>Strengthened benefits management and lessons learned</b></p> <p><b>Deliver Health Capital Envelope appropriation -funded projects according to agreed timelines</b></p> <ul style="list-style-type: none"> <li>Agreed definitions of milestones developed and applied and reported in monthly reporting under this framework beginning April 2023 (see "Deliver robust, timely portfolio reporting")</li> <li>Internal Te Whatu Ora accountability framework determines clarity of roles and responsibilities at district, regional and national level)(see "Progress on key structures and settings".</li> </ul> <p><b>Deliver data and digital projects according to agreed timelines</b></p>	<p>Whole portfolio reporting from January 2024.</p>	<p>Vote Health Estimates of Appropriations 2022/23 performance measure for Health Capital Envelope - the extent to which actual benefits meet the expected benefits from those capital investments as set out in the relevant business case (target 80%)</p> <p>Interim Government Policy Statement - The Health Sector will continue the development of Hira, the national health information platform, to support accessible and actionable data and information for whānau, and to enable innovation across the health sector.</p> <p>Te Pae Tata Implementation Plan - Implement Hira, a user friendly, integrated national electronic health record, to the agreed level, ensure the expected benefits of the investment are achieved, and taking all practicable measures to ensure that project milestones are met.</p>