

Hon Dr Ayesha Verrall

Minister of Health
Minister of Research, Science and Innovation



16 MAR 2023

Ms Naomi Ferguson
Interim Board Chair
Te Whatu Ora | Health New Zealand

Tēnā koe Naomi

Letter of Expectations 2023/24 for Te Whatu Ora | Health New Zealand

I want to thank you and your Board colleagues for your commitment to supporting the delivery of health care services for New Zealanders. Your job is pivotal in improving the health system in line with the aspirations outlined in the Pae Ora (Healthy Futures) Act 2022. I appreciate you stepping into the interim Board Chair role at short notice and your commitment to continue the reform momentum.

I also want to acknowledge the breadth and complexity of the task undertaken by Te Whatu Ora in maintaining health services while implementing the health reforms. Accordingly, I want to recognise the achievements and outcomes delivered to date, acknowledge the work yet to be done, and extend my thanks to you, your board, and all Te Whatu Ora staff for everyone's ongoing passion and dedication to this work.

This letter sets out my expectations of you as the interim Board Chair of Te Whatu Ora, including my immediate service priorities for the remainder of this financial year. It is important that you ensure organisational establishment is complete which includes the stabilisation of workforce, clarity of line management and clinical governance structures, improvement in communication, staff engagement, settlements finalised, and the Executive Leadership team fully in place. I am also setting out my expectations for delivery in achievement in 2023/24.

My immediate service priorities

As you are aware from recent discussions, my initial priorities as Minister of Health are for sustained measurable improvements in the areas of waiting lists, winter preparedness and workforce. Te Whatu Ora has clearly articulated the challenges it faces in these three areas and current thinking on options with potential to support improvement.

Further information is required for me to understand the specific intentions of the Board and Te Whatu Ora in these areas. Therefore, can you please provide the following information to me via my office and to Manatū Hauora by 6 April 2023.

1. Cabinet Papers and an implementation plan for improvements to waitlists, winter preparedness and workforce that:
 - identifies the prioritised actions for delivery, with progress milestones, deliverables and timeframes through to June 2024
 - gives context of what actions will be undertaken nationally, regionally or locally and where accountability for delivery sits

- describes the anticipated impacts of actions, and
 - identifies the measures you will use to assess progress including detailed data sources and definitions which are aligned to the Monitoring Framework defined by Manatū Hauora.
2. A summary of how Te Whatu Ora internal performance management processes work. This includes how performance is monitored and any levers being used to drive performance internally.
 3. Your workforce communications plan, noting their key role in enabling the changes required.

Manatū Hauora remains ready to support you in developing these action plans and ensuring that these will meet my expectations. I also encourage you to work closely with Te Aka Whai Ora wherever possible to ensure your plans include a focus on equitable outcomes for Māori.

This level of information will provide me with assurance there is a clear direction supported by a plan that can be communicated and actioned. This will assist us to all have a view of the impacts we can expect to see over the rest of 2022/23 and through 2023/24.

Roles and expectations

I expect the relationship between you, as Board Chair, the Director-General of Health, and myself, as Minister of Health, constructively supports each of us with our respective accountability roles, and demonstrate an open partnership that fosters progress on agreed priorities and outcomes.

Manatū Hauora is my agent in monitoring the performance of Te Whatu Ora. I expect you and the Board to work closely with them, in line with the Crown Entity Monitoring Operating Model ('It Takes Three') issued by Te Kawa Mataaho to discuss performance matters, significant upcoming change, and risk or issues you are being briefed on. The Director-General (or one of her senior team in her absence) will attend my meetings with you.

Manatū Hauora will confirm the Monitoring Framework and measurements taking previous Cabinet decisions into account.

Progressing priorities

I need assurance that Te Whatu Ora are achieving meaningful change, giving effect to the reforms, and meeting the delivery and reporting requirements needed to support a shift to multi-year funding.

I expect to see your reporting mature over upcoming reports with a fulsome view of progress by June 2023. I ask that you focus on elevating the internal performance monitoring and reporting function of Te Whatu Ora, including an integrated view of financial and non-financial performance.

Performance reporting and insight on organisational and service risks must be available to your Board to enable prioritisation, decision making, and actions (including investment), and to give oversight of progress against key milestones.

Delivery of Te Pae Tata and Budget 2022

I expect the Board to continue to work in partnership with Te Aka Whai Ora during the second year of reform, to fully deliver against the commitments you have collectively made in Te Pae Tata. It will be particularly important to focus on the delivery of mental health and wellbeing programmes given the challenges faced by many of our communities..

To ensure there is a strong foundation for the 2023/24 year, it is paramount that Te Whatu Ora and Te Aka Whai Ora provide a comprehensive view of progress-to-date against Te Pae Tata. This includes reporting on short-term milestones the Board indicated would be achieved, such as for Kahu Taurima. There is strong public interest in understanding how Te Whatu Ora enables better

health services, and the delivery of these milestones offers an opportunity to explain in a way everyone can understand.

I also require a full and comprehensive implementation plan for Te Pae Tata for Year 2, to give me assurance of planned progress in the upcoming year. The implementation plan must include specific quarterly milestones for each action, clear links to the interim Government Policy Statement (iGPS), and initiatives funded through Budget 2022.

Primary and Community Care and the development of localities

Transformation of the primary and community health sector is critical to achieving pae ora. Localities are a key element for achieving this. There is an urgent need for greater clarity on fundamental elements of localities and how they relate to other elements of the health system, not to mention other government agencies. I expect Te Whatu Ora to work closely with Manatū Hauora who is leading policy work on the longer term vision for primary care and community care in the reformed health system. This should include the levers to deliver on this vision, which includes localities. I also expect to be briefed on progress with locality prototypes.

Organisational reporting

I would like to see how your organisational strategy and operating model is driving the strategic shifts intended through the reform programme, and your roadmap to reaching these shifts. This involves a clear picture of your evolving organisational structure, internal accountability, and decision-making points, including the delineation of leadership and decision-making at national, regional, and local levels and between the Public Health Agency (PHA) and National Public Health Service (NPHS). I expect this to include progress in locality development and embedding of a national strategic commissioning function (leading to integrated services and reduced variation of access to services), as well as strengthening the planning and delivery of Te Tiriti o Waitangi commitments with improved outcomes for Māori.

Achieving financial balance

The significant investment into Vote Health at Budget 2022 reflected this Government's commitment to the health system and ensuring that Te Whatu Ora began operations on a sound financial footing. The cost pressure funding provided in 2022/23 and that is available in 2023/24 represents a 6.4 percent uplift to your baselines.

I am pleased that you continue to forecast a break-even position for Te Whatu Ora in 2022/23. Given the level of funding provided, it is imperative that you remain in financial balance and adapt as circumstances change. Doing so will be a key factor Cabinet will look to in taking a decision whether to move to full multi-year funding at Budget 2024.

Improving financial reporting

Vote Health represents approximately one fifth of the total of Government expenditure and with that comes clear expectations around the transparency and accountability over the use of this funding. Financial reporting needs to provide a meaningful picture of performance and risk, demonstrate how funding is being used to deliver outputs and outcomes, and inform decisions at every level of the system.

I acknowledge the progress building a new financial reporting system and look forward to the improvements that the Health Finance, Procurement and Information Programme (FPIM) system will deliver. There are also areas that need immediate focus, including reporting on Budget 2022 new initiatives. This is for ensuring that there is a clear understanding and adherence to standard Crown financial reporting and accountability documents and providing a more detailed picture of financial risks and issues, and mitigation plans.

I encourage you to work openly with Manatū Hauora and the Treasury to share information and developmental thinking early.

Delivery of key products to enable a shift to multi-year funding in Budget 2024

A move to multi-year funding in Vote Health is intended to be a key enabler in reaping the benefits of better longer-term planning in the health system. I applaud the work that has happened to date. Cabinet has signalled that a full shift to multi-year funding will occur in Budget 2024, provided adequate system settings to support improved planning and financial control are in place. There are clear expectations on the information and progress needed at milestone points to enable Government to progress with the intended direction. I urge you to ensure you have the capability and capacity to deliver this.

I want to stress the importance and recognise the challenge of the health system moving from annual budgeting to a fully costed three-year view. The delivery of key products over the next few months, to meet the detailed set of conditions required (including a fully costed plan), will be critical in building confidence with myself and other Ministers that the system is sufficiently mature to move to multi-year funding.

Meeting cost pressure draw down requirements

A large amount of Budget 2022 cost pressure uplift was placed in contingency reflecting the need for further detail on how funding would be utilised. My expectation is that the information supplied for the 2023/24 cost pressure drawdown provides a clear picture of what it is purchasing, including greater depth than the previous drawdown information. For example, clearer information on assumptions underpinning workforce planning, increasing volumes, and realising performance improvement opportunities.

I am particularly keen to understand how we utilise this information at Budget 2023 to outline for the public how investment is protecting, promoting and improving the health of all New Zealanders, and in working towards achieving equity in health outcomes.

Meeting accountability processes

We have now reached the point in the accountability cycle where your Statement of Performance Expectations (SPE) needs to be refreshed; however, you must still meet the legislative requirements associated with your current SPE for 2022/23.

Accordingly, I ask you to provide, as soon as possible, your revised SPE for 2022/23 before 31 March 2023, for presenting to the House of Representatives. Please then provide your draft SPE for 2023/24 to Manatū Hauora no later than 28 April 2023, in line with the requirements of the Crown Entities Act 2004. The SPE for 2023/24 must shift to a wider and more useful set of output classes in line with Cabinet's original decisions on the Vote Health appropriation structure.

I understand that your current Statement of Intent (SOI) only covers a two-year period. Please provide an updated SOI in line with legislative requirements, to cover the three upcoming financial years. This must be provided to Manatū Hauora with your SPE for 2023/24.

To date, I continue to await the signed Te Whatu Ora Output Agreement for 2022/23. This is an important mechanism for Ministers to formalise operational expectations in relation to the funding allocated through the budget process, particularly for the period where an interim GPS and interim health plan are in place. The new Output Agreement for 2023/24 is expected to be signed before the start of the new financial year.

New legislation

The code of expectations (written by the Health Quality and Safety Commission) for health entities' engagement with consumers and whānau sets the expectations for how health entities must work with consumers, whānau, and communities in the planning, design, delivery, and evaluation of health services.

The code is required by the Pae Ora (Healthy Futures) Act 2022 and is underpinned by the health sector principles. All health entities must act in accordance with the code and are required to report annually on how the code has been applied.

Thank you for your dedication to working together towards achieving the goals of the reformed health system. I look forward to engaging with you on your progress to deliver my expectations.

Ngā mihi nui



Hon Dr Ayesha Verrall
Minister of Health

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