



30 APR 2024

Dame Dr Karen Poutasi
Chair
Health New Zealand | Te Whatu Ora

Tēnā koe Dame Karen

Letter of Expectations for Infrastructure 2024/25

I would like to acknowledge the efforts of Health New Zealand | Te Whatu Ora (Health NZ) over the last two years to improve the planning, delivery, and management of health infrastructure and to develop new national functions. These are critical roles to ensuring that the publicly funded health system has the physical and non-physical infrastructure that is needed to enable sustainable and productive service delivery and meet people's health needs.

Infrastructure will be a priority in the 2024-2027 Government Policy Statement on Health; and I have high expectations that Health NZ will build on the progress it has made to demonstrate further improvement in the management of infrastructure over the next year. I have outlined my expectations in this letter and will hold the Board to account for their achievement.

Delivery of existing portfolio

Health NZ is delivering a large portfolio of projects that was mostly approved and planned prior to the health sector reforms. I am also aware that many of the projects have been in the delivery phase during the challenging construction market conditions of recent years.

The history of these inherited projects is variable, but with Health NZ now in a position to provide coordinated national oversight, I expect the Board to rigorously manage the delivery of these projects to the approved time, scope, and budget.

It is my expectation that Health NZ considers the risks and identifies feasible options to address any pressures. These may include scope reductions, deferrals of other projects, and the use of internal funds, before any request is made for additional Crown funding. If there are instances where Health NZ's best efforts to manage pressures are unsuccessful, I expect you to engage with the Ministry of Health (the Ministry) as early as possible.

Long-term infrastructure investment plan

I acknowledge the work of Health NZ to improve its long-term infrastructure planning with completion of the first draft of an Infrastructure Investment Plan. This is an important step towards setting a long-term direction for infrastructure and supporting greater clarity and certainty to the health system, construction market and the public. It will also be a key input to future investment decisions at Budget 2025 and beyond.

To ensure that the Infrastructure Investment Plan is able to fulfil this role, I am keen that it presents a fulsome view of future infrastructure needs and options, and demonstrates how potential investments will improve service delivery and productivity. I expect the next iteration to include the range of possible investments, including data and digital projects alongside physical infrastructure. I also expect to include rigorous prioritisation of new investments to support the Government's decision-making in a fiscally constrained environment, informed by an assessment of the construction market's capacity to deliver to the planned timeframes.

It will be critical that this plan is integrated with wider workforce planning for the investments you are proposing, to provide assurance that safe and efficient clinical services can be delivered from new facilities (or through new digital service models) once they are delivered and commissioned.

Please work to ensure the next full iteration is available by December 2024, so that the Investment Plan can be used to input into the Budget 2025 process.

National Asset Management Strategy

Thank you for your work to develop the first iteration of the National Asset Management Strategy (NAMS). Alongside the Investment Plan above, this is a further foundational document that should support a pathway for improved management and maintenance of existing assets.

It is essential that the next iteration of the NAMS provides an affordable path to manage the sector's asset base. This requires the development and rollout of national guidelines and reporting, while building on systems and processes already in place in some districts.

I expect the Board to have visibility of expenditure on repairs and maintenance and renewal of its asset base, and to have sufficiently allocated its funding for these purposes. I expect Health NZ to provide me with assurance that it is managing its asset base affordably within its baseline funding.

Health NZ operating model and project reporting

As your operating model is now implemented, I expect your quarterly reporting to demonstrate how the new structures – in particular in relation to the Infrastructure and Data and Digital groups – are improving your planning and delivery of projects.

Please provide integrated portfolio investment reporting, across all funding sources, that demonstrates appropriate risk mitigation. Your reporting should also cover the delivery of major projects against expected budgets, key milestones, and timeframes.

I expect to see financial reporting for the portfolio and major projects that adequately reflects forecast versus actual expenditure and look forward to improvements in the quality of reporting for high-risk projects, such as New Dunedin Hospital.

I also expect Health NZ to implement processes to provide ongoing reporting on the realisation of benefits from completed projects.

Please work closely and collaboratively with the Ministry and provide timely information required to support its monitoring role in the system. This includes sharing relevant business cases at an early stage and providing reporting that complies with the Ministry's infrastructure and wider monitoring frameworks.

Capital settings

The existing capital settings apply unless changes are approved and advised to you in writing.

If Health NZ requests increased decision rights for new investments, I expect the second Infrastructure Annual Report-back to clearly demonstrate why this should be considered.

I look forward to working with you to improve health infrastructure and management in the year ahead.

Nāku noa, nā



Hon. Dr. Shane Reti
Minister of Health