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## PERFORMANCE IMPROVEMENT FRAMEWORK

# **Formal Review of Manatū Hauora, the Ministry of Health (the Ministry)**

**DECEMBER 2012**

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State Services Commission, the Treasury and the Department of the Prime Minister and Cabinet

## Lead Reviewers' Acknowledgement

We would like to acknowledge the thoughtful and candid insights from the many stakeholders interviewed in the course of this review. We interviewed around 75 people over a three-week period. They included Ministers, Ministry staff, central agency officials, and representatives of a wide range of sector stakeholders. A notable feature of their feedback has been its consistency.

It has been a privilege to work with each of you and to experience your dedication to and passion for improving the health of New Zealanders. We look forward to continuing to work in partnership with the Ministry to address the opportunities and challenges described in this report.

*Heoi ano, ka nui te mihi mo to koutou manawanui ki te kete hauora.*

**Performance Improvement Framework  
Formal Review: Ministry of Health**

**State Services Commission, the Treasury, and the Department of the Prime Minister and Cabinet  
Wellington, New Zealand**

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# TABLE OF CONTENTS

Agency’s Response	2
Lead Reviewers’ View	5
The Performance Challenge	5
Future State – Four-year Excellence Horizon	8
What Will Success Look Like?	9
Central Agencies’ Overview	11
Summary of Ratings	12
Agency Context	14
Results Section	16
Part One: Delivery of Government Priorities	16
Part Two: Delivery of Core Business	24
Organisational Management Section	35
Part One: Leadership, Direction and Delivery	35
Part Two: External Relationships	42
Part Three: People Development	46
Part Four: Financial and Resource Management	49
Appendix A	54
Overview of the Model	54
Lead Questions	55
Appendix B	56
List of Interviews	56

## **AGENCY'S RESPONSE**

The Ministry of Health (the Ministry) welcomes the Performance Improvement Framework (PIF) review of our organisation. It came at an opportune time (starting in January 2012) when we were reviewing many of the Ministry's processes in light of significant internal structural changes in recent years. Since then, we have used the PIF and other information as a way to assess the progress we have made and taken steps to accelerate improvements in our performance.

The context in which the Ministry is operating is evolving rapidly. We must respond to changes in health need and health care technologies; we must achieve improvements in both quality and efficiency; we must make a greater contribution to cross government priorities; and we must do all of these things in demanding financial circumstances.

To do this, we have identified four key themes which resonate with the themes in the PIF review. In summary we want to be:

### **A leading Public Service organisation**

We will do this by being fully engaged with the Better Public Services Reform Programme. This will be evidenced by being a trusted and respected partner agency, known for consistent and effective delivery of outcomes. We are actively engaging with the Functional Leads in the areas of Information, Communication and Technology, Procurement and Property across Public Service. We are also working closely with the newly implemented Better Public Services Programme Team to enable consistent implementation of issues as they are further determined.

As well as participating in improvements across the public sector, we will continue to support Ministers in the delivery of Government priorities outlined in the Ministry's Statement of Intent and supported by our Four-year Budget Plan.

### **An effective sector leader**

The Ministry will lift its leadership role in the sector. We will build on strong functional working relationships with other sector leaders to collaborate on delivering agreed objectives.

We have recently changed how we engage with District Health Board (DHB) chairs and chief executives. Regular meetings will now focus on the strategic priorities, critical sector projects and delivery on key result areas, rather than routine procedural matters. Similarly, we will use the existing Health Sector Forum to engage leaders from the wider sector and create opportunities to lift performance.

Active participation in the Social Sector Forum led by the chief executives of the four organisations provides continuing opportunities for us to work alongside agencies and lead on the Better Public Service Reform Key Result Areas.

### **A policy leader**

We will do this by building on the direction and work undertaken in the previous policy review. New policy leadership has been brought into the Ministry and internal process is being strengthened through the Policy Advice Improvement Committee. This will ensure clinical, technical expertise and best evidence approaches are consistently used in policy development. It will also help us broaden the depth and breadth of our horizon thinking and encourage innovation.

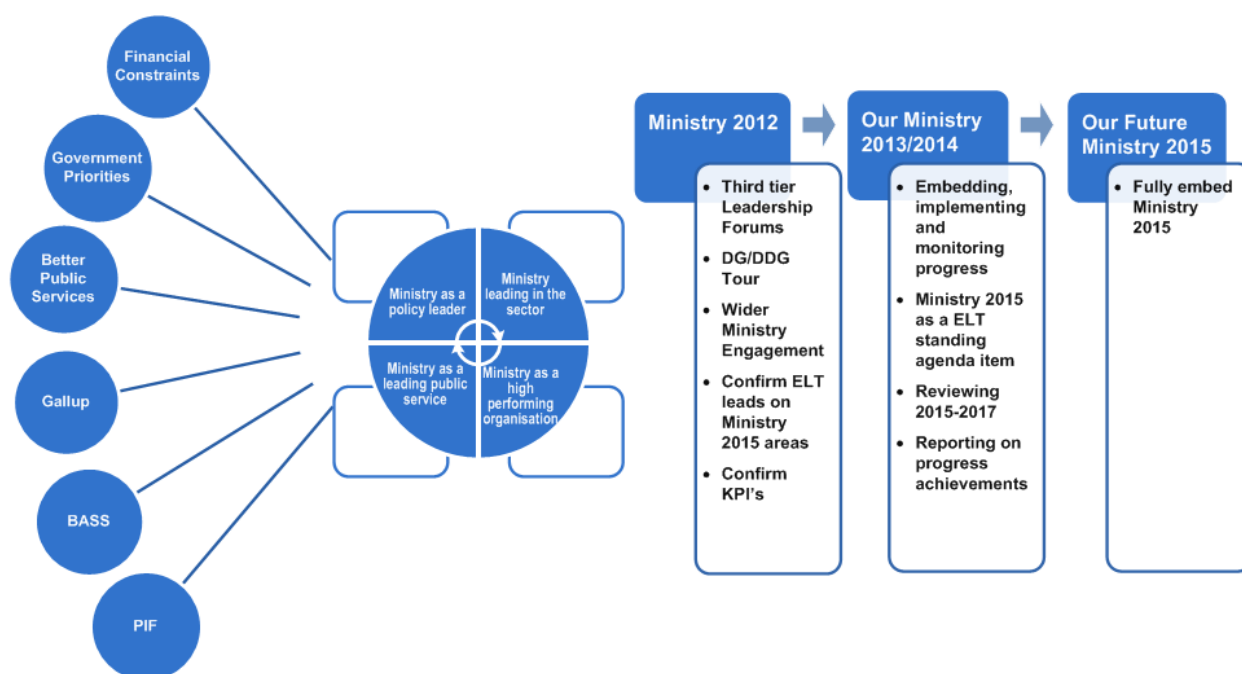
## A high performing organisation

We will do this through a programme of action to make the Ministry fit-for-purpose and capable of delivering its leadership and stewardship responsibilities.

The programme has already commenced and is based around the four themes outlined here. It covers issues raised in processes such as the PIF review and Better Administrative and Support Services (BASS) as well as the changes necessary to implement broader government initiatives in financially constrained times.

A series of workshops involving all Ministry staff have taken place. The engagement process ensures staff contribute to the development of the actions and commit to supporting the Ministry achieve its desired state across each of the four key themes.

The diagram below was used in the workshops to show how various factors (at the left) contributed to defining the four key themes. It also provides a framework for staff to develop the programme of actions for the next three years.



As well as new actions developed from the PIF review and staff engagement, the programme of action will incorporate existing performance improvement initiatives that support the four key themes. This includes:

### Enhancing Ministry leadership

- Using mechanisms such as our second and third tier managers' Leadership Forum to shift to a leadership culture.
- Completing the development of our governance model, including the Executive Leadership support structures.
- Implementing a planned approach to engagement.

### **Lifting sector performance**

- Developing our sector planning and performance monitoring processes to increase accountability for delivery on priorities.
- Implementing the Clinical Integration work programme.

### **Best practice organisational practices**

- Streamlining and automating our Human Resources systems where this will improve processes.
- Implementing Better Public Services initiatives.
- Raising the standards for work planning, prioritisation and accountability to make the most effective use of resources.

### **Supporting our people**

- The Director-General and senior managers regularly meeting with all staff to reinforce the Ministry's strategic direction.
- Implementing the Human Resources and Organisation Development Plan, including refreshing the Code of Conduct.
- Establishing and applying a new recruitment model as well as reviewing the Ministry's remuneration framework.
- Undertaking strategic workforce planning.
- Introducing a 'Learning Management Solution' to improve staff capability.
- Improving our performance management regime to reinforce modelling of good behaviour.

These initiatives will support the Ministry to ensure that we have the systems and capability in place to meet the challenges facing the health and disability sector and to be a high performing Public Service.

On behalf of the Ministry's Executive Leadership Team, I thank the reviewers, external interviewees and Ministry staff for their participation in this review and for their contribution in developing our on-going framework for improvement.

### **Kevin Woods**

Director-General of Health

## LEAD REVIEWERS' VIEW

### The Performance Challenge

*In undertaking this review we as Lead reviewers considered: "What is the contribution that New Zealand needs from the Ministry and, therefore, what is the performance challenge?" We considered what will be needed from the Ministry if it is to successfully meet the challenges over the medium-term, which is a particularly tough test given the demographic and health issues that confront New Zealand as the population ages. As a consequence, there are more areas that require performance improvement than might have been anticipated on the basis of the Ministry's recent performance in responding to existing health sector issues (eg, managing reductions in Ministry's funding, achieving health targets and reducing health sector deficits while also improving health outcomes).*

### The health and disability sector

The health and disability sector is a complex organisational landscape with many and diverse participants. They contribute to a system which, by comparison to most OECD indicators, is currently performing well and delivering value-for-money. The growth in New Zealanders' life expectancy is the highest in the OECD, while per capita spend on health in New Zealand is comparatively low. More specifically, significant progress has been made in the areas covered by the national health targets over recent years. In spite of this generally good progress, health disparities remain significant in New Zealand, particularly for Māori and Pasifika populations.

The 2009 reforms in the health sector, driven in large part from the recommendations of the Ministerial Review Group (MRG), resulted in an unusual sector landscape and set of structural relationships, as shown in the diagram in the next section. While these have posed some leadership and operational challenges, they have also helped to deliver more sustainable financial management through reduced DHB deficits, better alignment of capital spend including IT, and improved joint working between officials, sector managers and clinicians. Improved service performance has been delivered in the priority areas through the national health targets and redeployment of the health workforce to the frontline.

This year the New Zealand Government is spending \$13.95 billion (19% of total government expenditure) in Vote Health. In the decade to 2009 the rate of investment significantly outpaced growth in GDP, as is the case in many western jurisdictions. Given rapid growth in demand driven by demographic change, customer expectations and a growing burden of chronic disease, past rates of growth are unsustainable under the medium-term fiscal outlook for New Zealand. Bending the cost curve in Vote Health back towards the rate of growth in GDP will require active management of demand drivers and step changes in service delivery and productivity. The good health sector indicators are now overshadowed by this considerable challenge confronting the Ministry and other health sector participants.

### The Ministry's role

The Ministry's role is to provide stewardship over the performance of the New Zealand health system. This leadership and stewardship role is the Ministry's niche; the place where it must add value to New Zealand.

The organisational history of the Ministry over the last 20 years has been characterised by ongoing restructuring, which has inevitably resulted in organisational change fatigue and strained external relationships. The current Director-General has been in place for a year and has made significant gains in improving Ministerial and broader sector relationships in a short time. He has made a strong contribution to making the complex post-MRG institutional landscape work effectively, particularly with respect to the advisory boards that now sit within the Ministry. He and his executive leadership team (ELT) have initiated better internal and external communications and undertaken preliminary work to clarify the Ministry's purpose, functions and core values.

These are important moves in the right direction which have given both Ministry staff and health sector partners a new expectation that the Ministry can reposition itself to provide sector leadership to address the medium-term challenges confronting New Zealand.

### **The Ministry needs to facilitate the step change in health sector performance**

We consider that if the Ministry is to seize the leadership opportunities that lie before it and be fit-for-future in the context of the coming challenges, it must build from the recent improvements to increase the momentum, reach and focus on results of its current reform programme. Doing so will require continuing improvements in strategic leadership, change management and implementation.

The Ministry has performed well in crisis situations such as the Canterbury earthquakes, and the new Director-General and his leadership team have taken steps to improve internal performance around people, individual issues and projects. Focus now needs to shift to institution building, with a Ministry and sector who understand the extent of the challenges ahead, and buy-in to the strategy, solutions and tradeoffs that are necessary for success.

The Ministry has also taken early steps to developing its strategy to integrate primary and secondary care. Looking forward, a single, shared and widely understood sector and organisational strategy, as well as a systematic approach to change management will be necessary to support its effective implementation. Whilst gains can be expected over the next 12 months, the long-term success of the integration work programme must be supported by a lined-up sector, and strong Ministry implementation capability. The National Health Board, National Health IT Board and Health Workforce New Zealand have, at a governance oversight level, assisted the Ministry. However, delivering the step change that is now required will involve the Ministry and the health boards providing collective leadership in contracting for performance outcomes in the sector.

### **The Ministry needs best practice organisational processes to lead excellent sector performance**

In light of the challenges facing the health sector, the Ministry has a twelve-month window to build on efforts to date with the objective of implementing best practice organisational processes, so it can lead the sector. This institution building change programme should include:

#### *Strategy*

- The development of a compelling medium-term framework for the health and disability sector and a companion organisational strategic plan for the Ministry, with a tight focus on priority result areas and the metrics that support them. This plan needs to be developed with improved scenario analysis and close engagement with sector stakeholders and Ministry staff.



- This plan should be cascaded with a clear line-of-sight into the plans and performance targets of the Ministry's business units and individuals, and into sector planning processes so each Ministry staff member and sector participant is clear on the contribution they need to make to deliver the agreed priorities for the health sector.

#### *People*

- An assessment of its future skill requirements, and working with urgency to build capability and capacity. This may require use of secondments from and exchanges with the sector.
- Enabling more strategic people management practices and reflecting these in a workforce and organisation development plan.

#### *One organisation*

- Taking decisions to stop or defer work projects that do not align with the priorities and direction.
- Portfolio and programme management systems and infrastructure, including quality and time management systems, to support agile cross-organisation and cross-social sector teams focused on results.

#### *Stakeholders*

- A systematic and effective communication and stakeholder management plan.
- Contracts with the sector for service performance improvements that reward providers for service delivery and innovation for improved outcomes.

Making timely progress will require relentless focus by ELT on the essential issues that will make the most difference to health outcomes, as well as courage to make hard decisions in the absence of perfect information, and considerable management fortitude in driving change.

The Director-General has already initiated some of the preliminary work to support many of these initiatives, especially in the areas of culture and values. However, the Ministry needs to now pick up the pace by tapping into the talent that resides within the Ministry and the sector.

## **Future State – Four-year Excellence Horizon**

### **Environment**

The medium-term challenges facing our health system are unprecedented, combining demand pressures, the need to improve models of supply and a need for fiscal constraint. On the plus side, international and local health sectors contain many pockets of innovation with regard to new models of service delivery and patient experience.

The Ministry will need to be at the forefront of enabling such innovation if the required significant improvements in service performance and efficiency at system level are to be secured. It will need to develop capability in identifying and systematising the innovation that exists within the sector. This will also entail a deeper understanding of private sector commercial imperatives and business models, given the need to harness both private and public parts of the sector to deliver integrated outcomes.

The Ministry has an opportunity to provide thought leadership and promote connectedness, and to do so in genuine partnership with clinical and other sector leaders. While there are early signs that this is beginning to happen, there is an opportunity to take bolder and more urgent action to ensure barriers to sector innovations are removed.

The Ministry also needs to assist the sector to find fiscally sustainable solutions. To date DHBs have been asked to make considerable productivity gains without significant policy, contractual or regulatory changes to support them. There is an opportunity to engage with DHBs and other providers to test and evaluate new models of delivery and to fast track the changed business processes, policy, price and contractual settings that will support them to find sustainable settings over the medium term.

### **Business strategy**

The Ministry has been focused on rebuilding sector relationships, embedding key institutional structures, leading a number of significant issues and projects well and re-establishing the trust and confidence of Ministers. Important steps have been taken to start to address organisational capability and performance.

The future will require the Ministry to have a clear medium-term framework for the health system that reflects both its leadership role and stewardship responsibilities. In order to achieve this, it will need to work collaboratively with the health boards, and the policy capability of the Ministry will need to significantly step up to assist Ministers to make strategic choices that may need to go beyond existing policy settings and political consensus. Doing this effectively will require early and proactive engagement with Ministers.

In addition, a credible medium-term business strategy will require an aligned health sector and commitment from other agencies of the Crown. The Ministry needs to be more proactive about providing advice to Government as its customer on major medium-term strategic issues.

### **Operating model**

The Ministry will need a joined up organisational strategy that is cascaded from ELT, through business units, to individual performance goals. While the Statement of Intent and other accountability documents have improved, the Ministry needs to use them more consistently to drive business performance. Ministry staff need frameworks within which to prioritise their work and align it to that of other teams and workgroups.

The Ministry contains many passionate and able people, who need to be engaged in finding solutions to the medium-term challenges faced by the health sector. To achieve this innovation, calculated but managed risk taking must be rewarded, particularly through the middle levels of the organisation.

Ultimately the Ministry should refocus its activity away from transactional activity and towards supporting transformational change, in partnership with the sector. An unrelenting focus on results at a system level will be required.

### **Change capability**

The new Director-General is widely regarded as having begun to restore relationships with key sector stakeholders. There is now cautious optimism in the sector that, under his leadership, the Ministry will continue to improve its performance.

The Director-General needs strong support from a high performing ELT, external and sector advisors and central agency officials to further embed changes and drive them faster.

Internal project and programme management and governance will also need urgent attention, to ensure the Ministry has the internal agility to form and reform teams around key medium-term issues.

The key changes required are cultural rather than structural. As such, they will need to be supported by a carefully planned change management programme.

### **What Will Success Look Like?**

*This section describes what the Ministry of Health will look like in a future state when it has successfully transformed itself to capitalise on the opportunities presented in this review. Its purpose is to provide management with a yardstick for judging the extent to which the Ministry's proposed response to this review is likely to successfully deliver the future state provided. If the Ministry successfully implements the suggestions made above, we might expect the organisation to be well positioned four years from now to reflect the following picture of success.*

The Ministry of Health will be recognised for proactively exploring solutions to the medium-term health challenges facing the New Zealand health and disability sector and for the long-term stewardship of our public health. It will be an acknowledged leader of the sector. Key stakeholders, including senior clinicians and Ministerial appointed Boards, will respect its leadership.

It will lead by example by proactively enabling the changes that deliver better and more financially sustainable health outcomes. It will lead the uptake of innovation in service delivery and efficiency across the sector in a systematic way and in partnership with sector leaders and clinicians.

It will be respected as an enabling agency with a well-informed policy 'brain' and a willingness to lead the sector on complex and controversial issues. It will use its various sector tools and levers with real impact on outcomes, while allowing implementation to occur on a devolved basis.

Organisationally, the Ministry will have a well-articulated strategy and value proposition that is understood by all staff and is well cascaded down into business units and individual performance targets. There will be 'one Ministry' in which all staff will feel passionate about making the strategy happen and understand their individual contribution to it. Staff will have a clear and shared sense of priorities and focus on the 'vital few' issues on which the Ministry must make a real difference over the medium term. They will be energised, positive and give their best. They will be strongly focused

on building effective relationships with sector players to co-create and enable solutions to problems, and embed new models of service delivery. Sector stakeholders will see joined up and coherent Ministry of Health behaviours, policy and advice.

Amongst external stakeholders, there will be clear and widely held understanding of the Ministry's role in the health and disability sector, and this will be reflected in the Ministry's leadership style, funding policies, contractual arrangements and monitoring protocols. All stakeholders will have a shared understanding of the priority results for the health sector system that is being sought over the medium term. The Ministry will also be taking its share of responsibility for solving complex and cross-cutting social sector problems.

Ministers will see the Ministry as the first, best source of advice on health policy and performance improvement, while the Ministry will proactively provide Government with real and do-able options for improved health sector performance, in both the present and the medium term, under conditions of fiscal stringency.

**Debbie Francis**  
Lead Reviewer

**Anita Mazzoleni**  
Lead Reviewer

## CENTRAL AGENCIES' OVERVIEW

The Government's clear priority is to deliver better public services to New Zealanders, within a tight operating budget. Government agencies are expected to review and change how they operate to focus on the most effective and efficient use of resources and to deliver better public services to New Zealanders.

The Performance Improvement Framework is used by a small group of respected lead reviewers to review agencies to provide insights into how well the agency is positioned for the future. Chief executives value the opportunity to engage with lead reviewers to discuss those insights, as do we.

We, as central agency chief executives, also benefit from lead reviewers' insights about the State sector and the opportunities that exist to improve its operation. Ministers, the public and agency stakeholders are entitled to information about agency and sector performance and to know what is being done to lift that performance.

The Lead reviewers for the Ministry of Health review posed the question: *"What is the contribution that New Zealand needs from the Ministry of Health and, therefore, what is the performance challenge?"* They then set out in "Four-year Excellence Horizon" what the Ministry would look like if it was performing as an excellent organisation four years from now.

The Ministry plays a vital role in leading the very large and complex health and disability sector. The review notes that the medium term challenges facing our health system are unprecedented, combining demand pressures, the need to improve models of supply and a need for fiscal constraint. The current health sector indicators are good, but are now overshadowed by these challenges. While this combination of factors presents particularly difficult challenges, the opportunity for the Ministry is to lead through these with the sector as a whole, recognising the collective impact of performance has big implications for New Zealand.

The Ministry has made good progress under the current Director-General in areas such as rebuilding sector relationships, leading some key projects and re-establishing the trust and confidence of Ministers. Service performance has been delivered in the priority areas through the national health targets, and DHB deficits have been considerably reduced.

To facilitate the step change in health sector performance now required, the review notes that the Ministry will need to build from these recent improvements, and will need to continue the momentum, reach and focus on results of its reform programme. Since this review was undertaken in March 2012, the Ministry has made key appointments to positions in its leadership team, improved its policy capability and developed an integrated organisational development focus through to 2015. Maintaining this drive for performance improvement will be important.

From our engagement with the Lead reviewers we have identified areas where we, as central agencies working together, need to support the Ministry and in particular its institution building programme. We are committed to supporting the Ministry build its capability in strategy, planning, people, policy and others to give it the capability to lead this sector whose success is vital to New Zealand.






**Iain Rennie**  
State Services Commissioner













**Gabriel Makhlof**  
Secretary to the Treasury

**Andrew Kibblewhite**  
Chief Executive, Department of  
the Prime Minister and Cabinet

# SUMMARY OF RATINGS

## Results






GOVERNMENT PRIORITIES	RATING
Delivering on health targets	
Bringing health services closer to home	
Improving the health and independence of older people	
Strengthening the health workforce	
Improving value for money	





CORE BUSINESS	RATING (EFFECTIVENESS)	RATING (EFFICIENCY)
Policy advice		
Sector planning and performance		
Regulatory and enforcement services		
Managing the purchase of services		
Health sector information systems		
Payment services		




## Rating System






 Strong	 Well placed	 Needing development	 Weak	 Unable to rate/not rated
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## Organisational Management

LEADERSHIP, DIRECTION AND DELIVERY	RATING
Vision, Strategy & Purpose	
Leadership & Governance	
Culture & Values	
Structure, Roles and Responsibilities	
Review	

EXTERNAL RELATIONSHIPS	RATING
Engagement with the Minister(s)	
Sector Contribution	
Collaboration & Partnerships with Stakeholders	
Experiences of the Public	

PEOPLE DEVELOPMENT	RATING
Leadership & Workforce Development	
Management of People Performance	
Engagement with Staff	

FINANCIAL AND RESOURCE MANAGEMENT	RATING
Asset Management	
Information Management	
Efficiency	
Financial Management	
Risk Management	

## Rating System

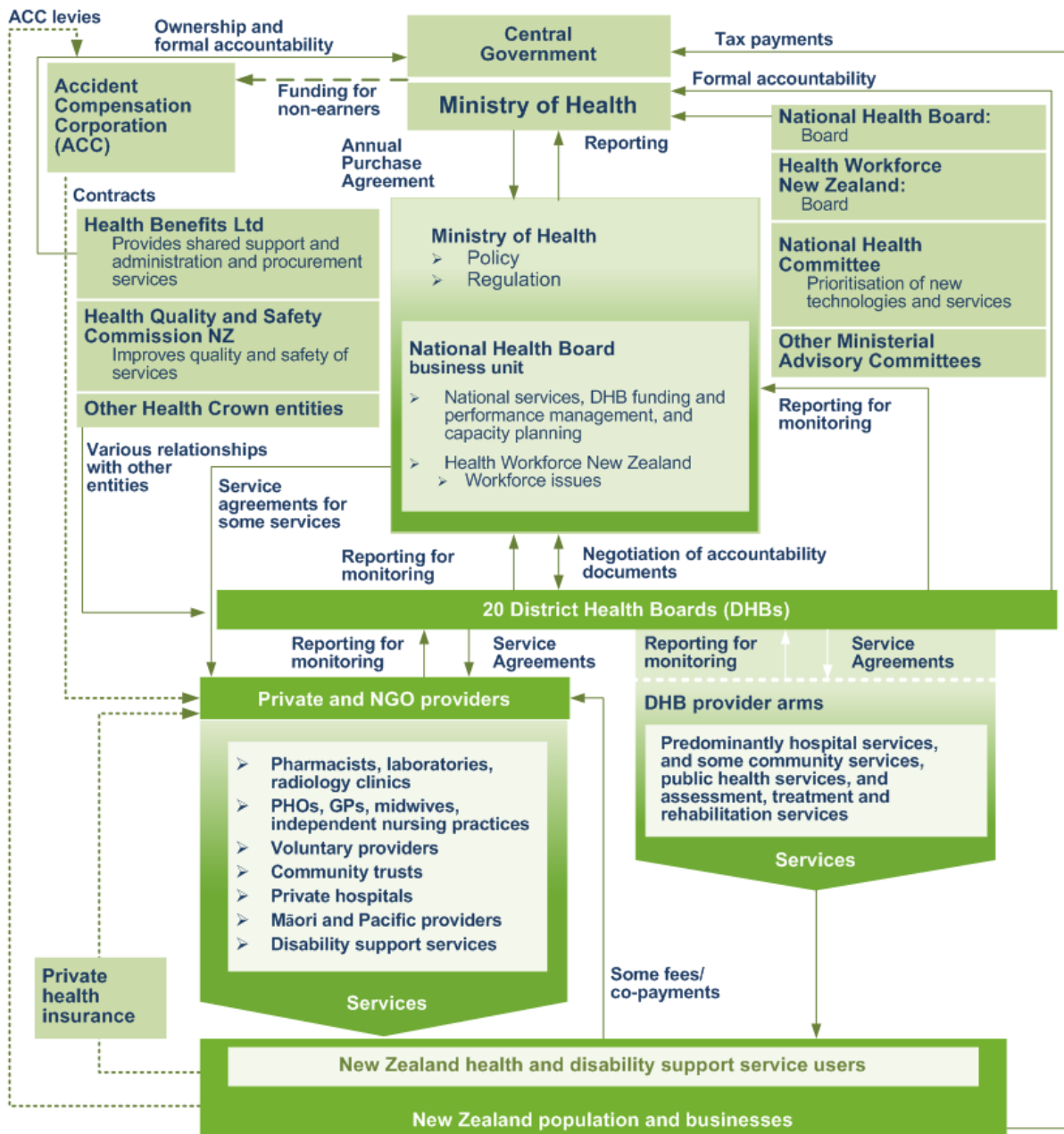
 Strong	 Well placed	 Needing development	 Weak	 Unable to rate/not rated
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# AGENCY CONTEXT

The New Zealand health and disability system is large. In the year to 30 June 2011:

- 65.4 million prescription items were dispensed
- 23.9 million laboratory tests were performed
- there were approximately 13.8 million general practitioner visits
- there were approximately 996,000 emergency department attendances
- there were nearly 1 million in/day patient hospital discharges
- there were 217,000 elective in/day patient admissions, of which 154,000 were for surgical elective services.

Services are delivered by a complex network of organisations and people:





The health and disability sector employs approximately 164,200 people, of whom 67,000 are employed by DHBs. The system is funded mainly from Vote Health, totalling just over \$13.95 billion in 2011/12. This is 19% of Crown expenditure and the second highest area of public spending. Other funders of the health and disability system are other government agencies (most notably ACC), local government and private sources such as insurance and out-of-pocket payments.

## The Ministry of Health

The Ministry of Health is the Government's primary agent in New Zealand's health and disability system, and has overall responsibility for the management and development of the system. The Ministry seeks to improve, promote and protect the health of New Zealanders through the following core activities and outputs:

- advising the Minister on policy matters
- acting on behalf of the Minister to advise, fund, monitor and improve the performance of health sector Crown entities and District Health Boards (DHBs); the latter are responsible for the health of their local communities (this includes purchasing responsibilities)
- purchasing of other health support services on behalf of the Crown, including public health interventions, disability support, and screening, maternity and ambulance services
- administering, implementing and enforcing legislation and regulations on behalf of the Crown, and meeting legislative requirements
- providing key infrastructural support to the health and disability system, especially through the provision of national information systems and a payments service.

The Ministry's head office is in Wellington, with district offices in Auckland, Hamilton, Wellington, Christchurch and Dunedin, and other offices in Wellington, Wanganui, Dunedin and Christchurch. The Ministry had 1,164 staff at June 2011. Departmental output expenses for 2011/12 are \$205 million with \$194 million forecast for 2012/13.

## Challenges


The health and disability system faces considerable challenges:

- Living within its means: the rate of growth in health spending has reduced because its long-term growth pathway was unsustainable.
- Population ageing: this will substantially increase the demands on the health and disability system, and at the same time there will be a decline in the proportion of the population that is of working age.
- Increasing numbers of people with chronic conditions: conditions such as heart disease, cancer, diabetes and tobacco-related disorders account for 80% of early deaths.
- Increasing expectations: like the populations of other developed nations, New Zealanders will expect the health and disability system to deliver an increasing range (often tailored) of services and treatments, including new expensive treatments.
- Workforce challenges: New Zealand's health workforce is highly skilled, highly professional and dedicated, but like other nations, suffers from shortages in some key groups of health professionals.
- Fragmentation and differences in service performance: with responsibility split across the devolved health and disability system, coordination of service planning and delivery has proven difficult to achieve. Despite recent changes, variation in practice and performance remains.

## RESULTS SECTION


### Part One: Delivery of Government Priorities

This section reviews the agency’s current ability to deliver on its strategic priorities agreed with the Government. It is based on the completeness of the agency’s plans, the stage at which the priority is at, and the capability and capacity of the Ministry to deliver on the priority. The report is also informed by consideration of identified risks.

<p><b>Government priority 1: Delivering on health targets</b></p> <ul style="list-style-type: none"> <li>• Shorter stays in emergency departments</li> <li>• Improved access to elective surgery</li> <li>• Shorter waits for cancer treatment</li> <li>• Increased immunisation</li> <li>• Better help for smokers to quit</li> <li>• Better diabetes and cardiovascular services</li> </ul>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Strong</b></p> <p>Following a change in Government, the Minister of Health in 2009 established six targets for health, as listed above.</p> <p>There has since been good performance from the sector, particularly DHBs, in meeting the health targets. Some of the target thresholds have been lifted since that time and generally these revised measures have been met. An exception has been the diabetes and cardiovascular target, which was a complicated measure. It has recently been replaced with a new measure.</p> <p>Overall, the targets have provided a focus that was previously lacking, and have led to some impressive gains in performance and outcomes, particularly when assessed on a relative importance basis. The Ministry has used clinical champions to refine the targets and help overcome resistance, and these roles have worked effectively. Strong Ministerial leadership was instrumental in putting the targets in place and has also been important in encouraging sector providers to achieve them.</p> <p>As the Ministry’s Self-review of this priority noted, the health targets appear to work best when they focus on the effectiveness and efficiency of service activity; they are less effective in driving overall system change. For further discussion of this, see Core Business 1: Policy Advice below.</p> <p style="text-align: right;">Contd...</p>


	<p>The Ministry also needs to build on progress to date to continue to work in partnership with clinical champions, clinicians, DHBs and the primary care sector to ensure more consistency of performance across regions and improvements in clinical outcomes within the target areas over the medium to long term. It can be particularly difficult to influence the primary care sector where it is involved in the achievement of targets (and particularly through non-government organisations (NGOs) and primary health organisations (PHOs) where the Ministry lacks an ownership interest and thus levers). The Ministry needs to develop more sophisticated approaches to this.</p> <p>Looking forward, care will need to be taken in setting short-term targets to ensure these do not result in unintended consequences or hamper the ultimate challenge of achieving improved clinical performance and medium-term outcomes.</p>
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**Government priority 2: Bringing health services closer to home**

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>Primary care has been a key area of focus for the current Government, in particular the development of the Better, Sooner, More Convenient (BSMC) agenda. Enhancing primary care is also central to a wider ‘demand management’ strategy on which future productivity gains rest to a large degree. Making progress in this area is considered critical to the future of the health system. Actually doing so has proved challenging in most western jurisdictions.</p> <p>The objective is to deliver better and more accessible services for the public, through greater integration between providers (both across the range of primary care providers, and between primary and secondary care) and increasing the provision of services in the home or in a community setting.</p> <p>To date the Ministry has responded well to implementing changes driven by the Government. Progress has been somewhat slow but BSMC alliances and Integrated Family Health Centres are now being created and are showing good achievements.</p> <p>Beyond these steps, the Ministry needs to assist Government to formulate a medium-term primary health care policy to capture the full potential gain from primary care investment – that is, a reduction in acute demand. The current behaviours of primary care clinicians and organisations are strongly driven by the current funding model; therefore, in the future policy advice needs to focus on how these incentives might be changed to support the Government’s priorities. A medium-term primary care policy will need to carefully weigh up the tradeoffs between different options for primary care fees.</p> <p style="text-align: right;">Contd...</p>
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	<p>There are current signs that a more coordinated approach to integration is being developed and engaged on. This is promising, although, to move to a 'Well placed' rating in this area, it will be important that the Ministry:</p> <ul style="list-style-type: none"> <li>• formulates the integration approach in the context of the Government's broader objectives, within a work programme which focuses on the priority issues required to make the biggest difference in this area over both the short and medium term</li> <li>• develops this programme of work by means of strong cross-organisation engagement, starting at ELT, in order to develop a shared sense of the key priorities and better connect internally at tiers three and four than has been the case to date</li> <li>• ensures that the integration work is tightly connected to policy</li> <li>• co-develops the approach in partnership with sector leaders and clinicians</li> <li>• communicates the priorities and implementation programme effectively once agreed.</li> </ul>
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**Government priority 3: Improving the health and independence of older people**

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>Given the numbers about to enter this demographic, which will require a consequential redeployment of a significant part of the health workforce, this should be a critical area for the Ministry's medium- and long-term planning.</p> <p>Currently, the Ministry does not have its own strategic direction document, policy intervention framework, or work plan for this priority. Its 2002 Health of Older People Strategy is out of date and from 2008 it has based its work on the National Party's Choice not Chance for Older New Zealanders document. The Ministry's website on this topic was last meaningfully updated in 2008.</p> <p>There has been low ownership of this priority across the Ministry and little clinical or external stakeholder input into mapping the way forward. The Ministry's current Statement of Intent (SOI) identifies the impact of an aging population as one of four priority areas with the intermediate outcome that 'older people can live at home'. However, there appear to be critical gaps in relevant metrics and targets.</p> <p style="text-align: right;">Contd...</p>
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While only recently developed, the new integration work programme is considered within the Ministry to be a step in the right direction to help deliver on this priority. This has received recent emphasis in the Ministerial letter of expectations. This is promising, although, in order to move to a 'Well placed' rating in this area, it will be important for the Ministry to work with urgency to:


- engage on the integration work programme with the sector and incorporate feedback into a work plan in sufficient detail to deliver on the strategic objective for this area. This will need to be much more extensive than the current set of activities planned for 2012
- produce a framework that includes the key priorities that will make a difference over the medium term, rather than just a work programme or list of projects
- using the framework as a starting point, develop an intervention logic at whole-of-system level to support its and other agencies' work in this area
- identify clearly where whole-of-Ministry work is needed to deliver on outcomes, in particular the alignment between policy and the purchase of services
- engage more effectively with Health Workforce New Zealand (HWNZ), both the board and supporting business unit, on the workforce implications of the plan
- engage with other social sector agencies on the cross-cutting issues related to aged care
- work with the Treasury to proactively provide Government with advice on the long-term demand pressures, their potential fiscal impacts and the options for mitigating and managing these.

The impact of an ageing demographic on demand is one of the most challenging issues facing our health and disability sector system. The ball is in the Ministry's court in this area. It must step up and lead discourse on this matter, both across government and in the sector. This will require courage and a willingness to explore options.

<b>Government priority 4: Strengthening the health workforce</b>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>New Zealand’s very large health workforce, numbering some 164,000 people, is vital to the achievement of health outcomes. However, there are considerable fiscal risks to the Crown around wage bargaining, as well as risks to service quality and continuity under any adverse employment relations conditions.</p> <p>There are also concerns that, while demand for health services is set to increase dramatically over the medium term, the health and disability workforce is neither the right size nor sufficiently flexible to meet these demands. Meeting this challenge will require a considerable culture shift in the sector and a new approach to workforce reform. For changes to be successful, they will need to be undertaken in close partnership with clinical leaders.</p> <p>HWNZ is one of the advisory boards that were set up by Cabinet in response to the report of the MRG. A small unit within the National Health Board business unit provides a secretariat to the Board. Importantly, the focus of HWNZ has been on systematically considering how the health workforce can do tasks differently, rather than just pursuing incremental improvements.</p> <p>There has been some internal tension over HWNZ’s role, and a lack of coordination with other areas of the Ministry. There have also been coordination issues with the central agencies and the agencies of other affected Ministers, such as Labour, Tertiary Education and Finance. There is an opportunity to work more closely across the Ministry on workforce analytics. There were also problems in 2010 and 2011 providing advice to Cabinet on the programme of work that HWNZ would undertake, its costs and benefits, and options for reorganising health workforce functions. However, the Director-General has moved to clarify workforce responsibilities across the Ministry and the situation is improving.</p> <p>Strategic workforce management is critically important to ensuring the future effective functioning of the health system, yet progress in this area has been slow and there has been little workforce input to some of the promising new sector initiatives.</p> <p>In order to improve on this rating it will be important for the Ministry (especially the HWNZ business area, in conjunction with the HWNZ Board) to:</p> <ul style="list-style-type: none"> <li>• align its overall sector strategy with a medium-term health workforce plan focused on priority outcomes</li> <li>• develop an improved connection between the work of HWNZ and other health initiatives</li> <li>• work across relevant business units, including policy, to develop a system level approach to deliver on the priority results outlined in the health workforce plan</li> </ul> <p style="text-align: right;">Contd...</p>

	<ul style="list-style-type: none"> <li>• have a clear plan for the work of HWNZ, an understanding of the costs and benefits of options, and a shared internal and sector understanding of its key priorities and accountabilities</li> <li>• develop a range of workable options for Ministers in this area, over both short and medium terms</li> <li>• engage more effectively with other agencies with interest in this area, and with the central agencies.</li> </ul>
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**Government priority 5: Improving value for money**

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p><b>Ministry</b></p> <p>The Ministry has annual departmental expenditure of some \$205 million. It has recently been required to find efficiencies through reductions in its departmental baseline, and has reduced headcount and departmental spending by more than most other departments. Since 2008 FTEs have reduced by about 300 and there has been a saving of \$30 million of annual spend.</p> <p>The current prioritisation process to meet reducing departmental baseline targets is mostly undertaken within the Ministry’s Finance division. However, there appears to be insufficient links between this activity and organisational strategy. There is also low engagement as yet from the new ELT working as a collective to trade-off, prioritise and own savings opportunities. This type of financial ‘squeeze’ strategy is not sustainable. Without a clear organisational focus on priorities, it simply results in the same or more work being pushed onto fewer staff.</p> <p>The Ministry also appears to still respond to saving pressures on a largely incremental basis, rather than thinking more broadly about the changes to its operating model and modes of service delivery that may be required to deliver value-for-money.</p> <p>The Ministry has made improvements in its BASS and Management Performance Indicator benchmarks, although it appears to be targeting a midpoint without considering why this would be optimal. Finance also has a proposed programme of reviewing 4-5 areas each year where costs appear to have grown disproportionately to improvements in service delivery and in comparison to international benchmarks, and of assessing the changes needed to deliver the biggest gains.</p> <p style="text-align: right;">Contd...</p>
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**Sector**

Since 2009 the health and disability sector has been managed to significantly lower annual cost growth, through strong central signalling on wage growth and DHB deficits. In Budget 2011 Cabinet signalled that allowances would tighten further, and would likely remain tight over the medium term. The Ministry was asked to come back in Budget 2012 with workable options for the system to operate within lower allowances.

However, the Ministry’s Four-year Budget Plan relies heavily on requiring DHBs to make sizeable efficiency gains with limited supporting analysis or policy work on the consequences of this approach. In relation to the Ministry’s oversight of value-for-money within the non-departmental expenditure (NDE) areas totalling \$13.5 billion, funding cuts to DHBs and caps on other contracts have driven providers to find efficiency gains. This approach has been effective to date, but without business process changes, service performance will be impacted at some point. Further efficiency gains will also become increasingly challenging if policy, price and contractual settings remain unchanged. A more strategic and sophisticated approach is required.

At the same time, many sector stakeholders feel that the Ministry’s funding and contracting practices (and policy work in support) do not encourage and in some cases restrict innovation which could deliver savings, enhance productivity and improve customer service within existing funding parameters. More work is required by the Ministry to better align funding incentives to innovation for efficiency, and to encourage and help to spread innovation where it is happening. Across the health sector this is likely to deliver many opportunities to improve value-for-money.

This is one area where competitive and fiscal tensions within the private sector can be inculcated into the public health sector, as it is competition at the patient face that drives the innovations that deliver better performance and competitive pricing. It is particularly critical as the period of driving efficiencies through budget cuts will come to an end at some point, and a more systemic approach will then be needed to deliver a step change for more sustainable and effective service delivery. This is something many interviewees asserted is available at no more cost, if only the Ministry would engage in discussions on different modes of service delivery.

However, to do this the Ministry would need to move to a more performance-based contracting approach. Ministry staff engaged in contract monitoring would need to shift focus from contractual compliance to identifying, analysing and facilitating better service delivery for less amongst providers. This constitutes a considerable change from the present approach to contracting, to one with relationship capability that focuses on what can be achieved through these contracts to improve value-for-money. The Ministry has recently established a National Commissioning Board as a sub-committee of ELT to focus on this area and there have been some new staff appointments in contracting areas.

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The relative priority of existing service expenditure across NDE also needs to be evaluated. There is no systemic and objective approach (with robust performance measures) for assessing new priorities and existing services to stop, scale or defer services. This challenge also needs to address how the Ministry can effectively seek service prioritisation across DHBs to deliver value-for-money.

The Ministry has supported the establishment of Health Benefits Limited and four regional organisations to capture procurement and shared service savings across DHBs. While this initiative is taking time to gather momentum, \$700 million in savings is expected over a four-year timeframe.



As noted the health sector spend is \$13.95 billion and is the second highest area of public spending. Vote Health faces considerable challenges in living within its future funding track and it is the size of these challenges and the focus the Ministry needs to apply to value-for-money that has led to a 'Needing development' rating for this area. To move to a 'Well placed' rating, it will be important that the Ministry:

- develops a richer range of medium-term options for supporting the sector to operate under tight fiscal constraints and engages in internal and sector debate and discussion on the workability of these
- revises its processes for approvals, contracting, annual planning and sector performance monitoring, with the objective of removing bureaucratic and compliance mindsets
- regularly and systematically assesses where changes in business processes, policy settings, price signals or contractual models are necessary to facilitate greater efficiency and effectiveness from providers
- embeds processes to ensure continuous improvement so that purchasing and monitoring can be dynamically adapted as changes in the operating environment require
- embeds quality and time management systems and processes
- inculcates a proactive culture in which staff look for innovation in provider sectors, support it by quality analysis and systematise it as appropriate.

## RESULTS SECTION

### Part Two: Delivery of Core Business

This section reviews the agency’s effectiveness and efficiency in delivering its core business. The report is based on a judgement about the current performance of the agency and the trend that they have demonstrated over the last 3 – 4 years.

<p><b>Core business 1: Policy advice</b>                  Provision of policy advice and ministerial servicing that relates to the health and disability system, including the provision of advice and information to the public and other agencies on health and disability policy issues</p>	
<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> 	<p>Performance Rating (Effectiveness): <b>Weak</b>                  Performance Rating (Efficiency): <b>Weak</b></p> <p>At the time of the across Government Policy Expenditure Review the Ministry had 150.35 FTEs involved in policy roles, at a total cost of \$26.97 million and an average cost per FTE of \$179,381.00, although these numbers have since reduced.</p> <p>The Ministry has also recognised the need to improve the overall quality of its policy advice, following a Ministry initiated independent review of its policy capability in 2010. The review identified major problems in the commissioning of advice, poor internal processes and quality control, lack of responsiveness to Ministers, lack of provision of workable policy options and a lack of focus on medium-term stewardship issues of interest to the wider Government.</p> <p>An annual external review is carried out on a random selection of Cabinet papers, and the results are compared across government departments. The Ministry has not ranked highly in these surveys – the most recent assessment of papers from the last half of 2010 ranked it 14th out of 22 agencies. Areas of concern in the past have been recommendations being given without basis, lack of international evidence, lengthy papers and advocacy dominating rational analysis.</p> <p>During this review some Ministers still remarked to us on the slowness of advice, the frequency of errors, excessively detailed advice and a lack of practical policy options provided by the Ministry. While noting recent efforts at improvement in all these areas, they noted a continuing lack of proactive advice on longer-term or cross-sector issues.</p> <p>The Ministry is now in the first year of implementing a three-year development plan to address the identified problems and build capability. This area is being prioritised by the Director-General, who has put in place a range of approval and quality management measures which are supervised through his office.</p> <p style="text-align: right;">Contd...</p>

The responsible Minister's rating of the quality of the Ministry's advice has risen from 2 out of 5 (met but sometimes fell short of expectations) to 4 out of 5 (met and sometimes exceeded the Minister's expectations) in the two most recent assessments (which are undertaken three times per annum). There is also an increase in the level of responsiveness to the Minister's specific instructions.

A Policy business unit has been established and key appointments have been made to the senior management team. To address a specific skill deficit in economic capability, a Chief Economist has been appointed.

Policy functions also remain however in a number of other business units, and staff remarked on the lack of visibility of the overall policy work programme priorities and frequent duplication of policy effort. Some staff appeared to be working on their own projects, rather than in response to a clearly prioritised plan.



The Ministry has a stewardship responsibility to put practical options in front of Ministers, for example in regard to the wider frameworks behind the current health targets. More sophisticated measures that reflect system effectiveness are required. In particular, the development of composite targets and measures that effectively capture service integration and cross-agency accountability, along with patient outcome and service-quality targets, should be undertaken.

While the current focus on improving responsiveness to Ministerial priorities is critical, the Ministry must also commit significant intellectual resource to address contentious medium-term sector issues. A key theme for future development is that advice needs to be placed in a broader system and sector context, linked to Government goals, and needs to reflect a range of practical options.

The overall tone and culture of the Policy business unit may also need to change. Given that the delivery of cost reduction targets will require considerable service delivery innovation by DHBs and other providers, it is critical the policy functions work closely with providers to determine how best to incentivise, enable and systematise such innovation. The Policy business unit needs to improve its relationships and engage in open discussion across the Ministry (to coordinate Ministry policy approaches) and with the sector. It also needs to be prepared to offer broad ranging advice that goes beyond existing policy settings to support approaches that offer potential to improve health outcomes and value-for-money (eg, for well-developed options in future Four-year Budget Plans). Early engagement with Ministers will also help to mitigate the risks of the wide ranging options that may be required in the future to meet sector challenges and opportunities.

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	<p>Given the issues in the health sector, the Ministry must have an excellent and dynamic policy shop. While the policy teams at the Ministry contain talented and committed individuals and improvement is underway, the pace needs to be stepped up if a fit-for-future policy function is to be developed.</p> <p>To lift effectiveness in this area further, and increase the pace of improvement, the Ministry needs to:</p> <ul style="list-style-type: none"> <li>• ensure that the policy work programme is clearly articulated, owned by ELT and cascaded from the overall strategy for the sector</li> <li>• remove resource from non-aligned policy activity and stop or defer some current projects</li> <li>• act decisively to rebuild the brand of the policy shop with stakeholders and attract capable staff</li> <li>• build an internal culture based on enablement, good sector relationships and a strong focus on results</li> <li>• improve the practicality and implementability of policy options by co-developing advice in conjunction with sector leaders and practitioners</li> <li>• ensure that proactive and stewardship-oriented advice is provided to Ministers on priority challenges faced by the system in the future.</li> </ul> <p>The ability to assess the balance of costs, quantity and quality, and demonstrate efficiency gains, remains a challenge. We did not sight efficiency measures or evidence of work to identify lower value spending and focus on priority projects. In regard to efficiency, the 2010 across Government Policy Expenditure Review considered the Ministry to be at the high end of FTEs and cost. At that stage the Ministry appeared to have large nominal growth in policy advice-related appropriations and an absolute increase in funding, while achieving, as noted above, poor results from this investment. Numbers involved in policy (using the Policy Expenditure Review methodology) have since reduced, but evidence in the form of efficiency measures and prioritisation are required to improve this rating.</p>
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<p><b>Core business 2: Sector planning and performance</b></p> <p>Advising on and co-ordinating health sector planning and performance improvement; and funding, monitoring, and supporting the governance of health sector Crown entities, and sector co-ordination</p>	
<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> 	<p>Performance Rating (Effectiveness): <b>Needing development</b></p> <p>Performance Rating (Efficiency): <b>Needing development</b></p> <p>This area within the Ministry oversees some \$10 billion per annum of public health expenditure; largely in DHBs and, through them in PHOs and other organisations. There are a number of issues that affect the quality and effectiveness of the sector planning undertaken by the Ministry.</p> <p>A whole-of-system intervention logic that links Ministry planning and performance with sector planning and performance has not yet been developed. The story that shows how the parts add up to the sum of the system is missing. As noted in the section on Vision and Strategy below, there is no whole-of-system strategic plan with a common outcomes framework that applies across all parts of the sector.</p> <p>Performance monitoring should provide the Ministry with two views: one of how current performance meets expectations and the other of how that current performance contributes to longer-term system sustainability and effectiveness.</p> <p>Overall, the financial monitoring system works well and DHB deficits have reduced significantly over the last two years. The Ministry’s Monitoring and Intervention Framework data demonstrates that 90% of DHB performance issues are identified, addressed and corrected in a timely manner and do not require escalation for more scrutiny and management. This issue resolution is primarily achieved through the Ministry’s DHB relationship management process. The Ministry is recognised as being good at intervening with DHBs when problems are identified.</p> <p>We wonder how effective the current system will be however, as fiscal and demand pressures mount. Again, although DHB performance management and monitoring are well developed at a transactional level, there is no whole-of-system performance direction. DHBs feel that the lack of a whole-of-system strategic plan from the Ministry that can be cascaded into DHB and regional planning is problematic, as is the lack of a consistent outcomes and measurement framework. Many also consider that an annualised planning cycle is highly inefficient given that delivery of interventions is over a much longer cycle.</p> <p style="text-align: right;">Contd...</p>

	<p>Across DHBs we heard consistent stories of onerous monitoring with negligible feedback and which was not linked to performance improvement. The Ministry’s performance monitoring is considered by some providers to be more of a compliance exercise than a value adding process. Some DHBs use their own performance monitoring regime, as the Ministry’s performance monitoring framework has little resemblance to the things they consider critical to delivering improved performance. They then retrofit to the Ministry’s reporting requirements. They consider the duplicate reporting easier than trying to make changes to the Ministry’s monitoring approach.</p> <p>We saw little evidence that the Ministry was trying to align its planning and performance monitoring functions to support and align regional planning amongst clusters of DHBs.</p> <p>As noted in the Ministry’s Self-review, primary care sector performance information of any kind is very limited and stakeholders in these sectors often reported a lack of understanding by Ministry staff with regard to their business models, as well as lack of engagement in discussion on future opportunities and risks. The lack of information and intervention logic means that Ministry staff appear not to understand their available levers for incentivising behaviours and treating risks and issues in these sectors.</p> <p>Also as noted in the Ministry’s Self-review, current levels of staff churn mean there is a risk of the Ministry being at times ‘person dependent’; that is, key individuals have considerable knowledge and expertise which can be lost when individuals move on. Good frameworks, processes and tools can end up ‘on the shelf’ and be lost to the system. DHBs and other providers told us of their frustration at having to ‘train up’ a new relationship manager at very short intervals, given the extent of turnover in the Ministry.</p> <p>As a proxy for measuring efficiency, the Ministry scores reasonably well on its own quality and timeliness measures for this core business area. How it contributes to Ministry effectiveness is set out in Appendix 3 of the 2011/14 SOI, but the first reporting on achievement will only be delivered in the 2011/12 Annual Report. Although there are a significant number of measures for this core business area in the SOI, we are unsure that 100% achievement would demonstrate true efficiency and effectiveness. For example, the Ministry currently gathers considerable monitoring data most of which does not seem to be used, and this represents a cost to the Ministry and DHBs. Fewer, more impactful performance measures would be preferable.</p> <p>To move to a ‘Well placed’ in this area, we consider that:</p> <ul style="list-style-type: none"> <li>• an overall sector approach is essential. It should be simple and dynamic, with the process of sector engagement on priorities being more important than the plan itself</li> </ul> <p style="text-align: right;">Contd...</p>
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	<ul style="list-style-type: none"> <li>• qualitative surveying of stakeholders could lead to reasonable, low cost suggestions for significant improvements in the planning and performance monitoring processes</li> <li>• new models of engaging with the NGO and PHO sectors need to be developed, so that data and insights can be codified and used to inform overall sector planning and intervention logic</li> <li>• it will also be necessary to embed a process of review and continuous improvement into the performance monitoring function, especially to assess whether it is addressing sub-optimal performance and facilitating corrective action on a timely basis.</li> </ul>
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**Core business 3: Regulatory and enforcement services**  
 Implementing, enforcing and administering health and disability related legislation and regulations, and provision of regulatory advice to the sector and to Ministers, and support services for committees established under statute or appointed by the Minister pursuant to legislation

<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> 	<p>Performance Rating (Effectiveness): <b>Well placed</b>                  Performance Rating (Efficiency): <b>Needing development</b></p> <p>This core business area comprises 135 departmental FTEs with Revenue Crown \$22 million and Revenue Other \$16.5 million, and includes the statutory functions of the Directors of Public Health and Mental Health.</p> <p>There have been a number of reviews of legislative and regulatory frameworks which govern the work in this core business area, and a number of performance audits completed (such as for the certification process for aged residential care facilities). A regular review programme to assess the extent to which the Ministry is meeting its regulatory requirements in the most efficient and effective way would be beneficial. This should include assessment of whether changes in approach are necessary, as well as whether the regulatory framework itself requires change.</p> <p>In some cases, such as the regulation of the party drug Kronic, the Ministry was initially regarded as slow to offer advice and options, although it moved quickly in support of Ministers when required. A learning from this is that a systematic approach to scanning for emerging trends and issues, and developing workable options for dealing with them, is required.</p> <p>The clinical leadership role in this area has recently been strengthened, including the feedback loops with the sector, with the focus now on national clinical leadership. This will need high quality continuous investment in technical training if Ministry leaders are to be regarded as credible in contributing to sector leadership.</p> <p style="text-align: right;">Contd...</p>
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	<p>A major challenge is embedding a Quality Management System approach through streamlining current processes and ensuring these are embedded on an organisation-wide basis rather than held by pockets of staff. A systematic approach to post-implementation reviews and a wider sharing of this information within the Ministry is also required, as discussed in the section on review below.</p> <p>The Ministry has met or exceeded SOI quantity and timeliness measures for this core business area but these give little indication of efficiency. The Ministry measures how this core business area contributes to Ministry effectiveness as set out in Appendix 3 of the 2011/14 SOI. Effectiveness has not yet been formally assessed – the first reporting on achievement will be delivered in the 2011/12 Annual Report.</p> <p>To move to a ‘Strong’ rating in this area, we consider that it will be beneficial to have a rolling programme of reviews of how the various regulatory and enforcement functions discharge their responsibilities, and to determine whether these can be done more efficiently and effectively.</p>
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**Core business 4: Managing the purchase of services**  
 Purchasing services for the public and health and disability sector on behalf of the Crown, for those services where the Ministry has responsibility for the purchasing function (ie, funding is not devolved to another entity)

<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> 	<p>Performance Rating (Effectiveness): <b>Needing development</b>                  Performance Rating (Efficiency): <b>Needing development</b></p> <p>There is frustration on the part of sector stakeholders from whom services are purchased about the difficulties of timely contract negotiation with the Ministry and the lack of engagement around alternative contracting and pricing models. The Ministry needs to explore whether the contracting process could be more efficient and service delivery could be more effective for the same cost with performance-based contracts and longer contract periods. Systematic intelligence gathering based on contract monitoring and the review and feedback loops into the sector based on intelligence and analytics would be beneficial. A move to a more sophisticated, performance-based contracting regime should be explored and this would require cross-sector discussion and co-creation of policy and regulatory regimes if incentives to move to improved models of care were to be aligned.</p> <p>The ball is in the Ministry’s court in this respect; stakeholders want it to lead as only the Ministry has line-of-sight across the whole service delivery landscape. There is an opportunity for the Ministry to tap the collective wisdom of providers and policy makers to move away from an input-based largely FTE approach to contracting. A start has been made on an improved contracting environment in the disability area but it will take some time to get this right.</p> <p style="text-align: right;">Contd...</p>
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	<p>If the Ministry is to improve on this rating, it will need to:</p> <ul style="list-style-type: none"> <li>• move from current distant and low trust relationships with providers to partnership-based approaches</li> <li>• move from an annualised and transactional approach to contracting to a much greater focus on incentivising innovation and securing outcomes over the medium term</li> <li>• better codify and disseminate the learnings from monitoring across the system in order that they can inform innovation</li> <li>• provide thought leadership on incentives, pricing and contracting models – ensuring much closer internal collaboration between its policy and contracting teams</li> <li>• hold providers to account, where appropriate</li> <li>• move from a risk averse approach to contract negotiation and management to a relationship-based approach.</li> </ul>
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**Core business 5: Health sector information systems**  
 Provision of information technology services and the publication of data derived from these services to the health and disability system

<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> 	<p>Performance Rating (Effectiveness): <b>Well placed</b>          Performance Rating (Efficiency): <b>Well placed</b></p> <p>This core business area employs 188 FTEs at an annual cost of \$57 million. The core business of health sector information systems involves five outputs:</p> <ul style="list-style-type: none"> <li>• support the implementation of key sector projects that enable integrated care models</li> <li>• continue work to replace the infrastructure for the National Health Index (NHI) patient identification system and the National Health Practitioner Index (NHPI) to ensure the sector can safely and efficiently identify patients and health care providers</li> <li>• deliver payment services infrastructure to the health sector, including facilitating funder-provider agreements (see Core Business 6 below)</li> <li>• maintain the national health IT infrastructure</li> <li>• maintain the national collections.</li> </ul> <p>Sector information management systems are now coordinated through the National Health IT Board (NHITB) which has made significant strides in developing a national IT plan which includes the objectives of maintaining national IT infrastructure and national collections and replacing the NHI and NHPI systems with electronic shared records.</p> <p style="text-align: right;">Contd...</p>
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	<p>This plan has been a considerable achievement which has not only helped streamline IT budgets to a more financially sustainable level, but has assisted the prioritisation and completion of key IT projects. Good management and Board oversight and strong clinical involvement have all been important.</p> <p>The Ministry has been working with the wider health sector on a co-ordinated approach to IT investment, as set out in the National Health IT Plan. This has been developed through both national and regional teams from across the health sector, involving IT professionals, clinicians, technology vendors and DHB representatives.</p> <p>Overall this area is well placed. There has been good progress in upgrading the NHI, the national collections and the supporting infrastructure, although there is more to do. There has been much improved performance in delivering projects within budget and on time. There has been good progress with the regional information management initiatives. Shared care records are due to be introduced by 2014 and have the potential to support transformational change in healthcare. The strategy and pace of the shared care records programme seems appropriate.</p> <p>Despite this good progress there seems to be a lack of understanding (in the Ministry and sector) of the role IT can play as an enabler to support transformational change in the healthcare sector.</p> <p>The Ministry meets quantity and quality measures as set out in the SOI for this area. However, we are unclear that 100% achievement would amount to true efficiency. We also question whether these measures capture the potential efficiencies that fit-for-purpose information management systems would provide to the Ministry and the sector. For example, used properly, the ability to use data from national electronic health records to plan for the health needs of the aging population has the potential to optimise service delivery, thereby making efficiency and effectiveness gains.</p> <p>To be rated 'Strong' in this area, the Ministry will need to partner better with private sector health providers, and enlist their potential to add value through innovation.</p>
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<b>Core business 6: Payment services</b> Administration and audit of contracts and payments on behalf of the Crown and Crown agencies	
<p><b>PERFORMANCE RATING</b></p> <p><b>Effectiveness</b></p>  <p><b>Efficiency</b></p> 	<p>Performance Rating (Effectiveness): <b>Needing development</b>                      Performance Rating (Efficiency): <b>Needing development</b></p> <p>This core business area prepares agreements on behalf of DHBs and Ministry funders, and processes payments relating to these agreements. It processes around 115 million payment transactions annually, with a value of \$6.7 billion. In addition, it provides contact centre services involving over one million customer contacts per annum. This service comprises 170 FTEs.</p> <p>As noted in the Ministry’s Self-review, payment processing is based around four core payment systems, three of which are at the end of their useful life. These systems are complex, highly customised, and difficult and expensive to maintain, change and support. Processes currently in place have evolved incrementally over time, based on policy changes, internal control improvements requested by auditors, and the impact of system changes. Over time these ‘short-term’ solutions have become custom and practice. There has been minimal system planning over the years, other than planning core payment system upgrades.</p> <p>Payment processes involve diverse sources of data and rely on staff knowledge and expertise. There is also significant inherent risk in relation to payments because a large number of policies allow ‘trust-based’ claims.</p> <p>Auditors have, over the years, identified internal control weaknesses in the payment process that are of concern. Considerable work has been undertaken by the NHB business unit to rectify these weaknesses, but more work is required to improve the internal control environment, with the majority of the risks identified relating to the trust-based approach allowed under existing policies.</p> <p>We recommend that the Ministry consider future options for carrying out this function, as payments is not a core competency of the Ministry while it is for a number of other public and dedicated private sector organisations. Its transactional nature also detracts from the strategic focus the Ministry needs.</p> <p>The Ministry intends to replace the Contract Management System (CMS). We endorse this, especially if the standard parts of the contracts are made schedular so the organisation can focus on the financial and outcome performance parts of the contract. These are currently done poorly and are not dynamic to respond to the changing operating environment. This limits better service delivery as described elsewhere in this report.</p> <p>The Ministry’s CMS should also interface seamlessly with DBHs and NGOs, and other contracting parties. The NHB currently has this under review for redesign and we expect to see considerable change in the next 12-24 months.</p> <p style="text-align: right;">Contd...</p>


	<p>Many stakeholders consider the sector is over audited. A one-size-fits-all approach, which is not coordinated with DHB audits, means there may be multiple audits of a provider at any one time (potentially up to 20 separate audits). A risk-based approach to auditing, including coordination with the DHBs, would remove inefficiencies from auditing and better target audits towards areas of potential weakness.</p> <p>The Ministry exceeded its SOI efficiency measures of quantity. Call centre calls per annum are lower than target but this is a good result due to the uptake of on-line systems. System availability and ongoing reliability are key measures which are being met. With regard to efficiency, the current cost per transaction processed is competitive compared to commercial organisations and other government agencies. However, overall we do not think these measures entirely capture all the elements that a fit-for-purpose payments and contracts administration system should provide.</p>
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## ORGANISATIONAL MANAGEMENT SECTION

### Part One: Leadership, Direction and Delivery


<p><b>Vision, Strategy &amp; Purpose</b></p> <p>How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?</p>	
<p><b>PERFORMANCE RATING</b></p> <p></p>	<p>Performance Rating: <b>Weak</b></p> <p>Internally, the Ministry has a large number of strategies, frameworks, work programmes and plans. By one count there are currently 34 sector strategic documents, many of them outdated. Internally, the organisation does not have an institution-wide vision, strategic plan or balanced scorecard.</p> <p>It is difficult to identify an overarching medium to longer-term framework for either the sector or for the Ministry as an organisation. There is the recent SOI, the Ministry’s Briefing to the Incoming Minister (BIM), the NHB’s nascent ‘roadmap’ for the sector, and the Integration work programme. There is also a recent articulation by the Director-General of the five key purposes of the Ministry and ten key behaviours required for the future, about which most staff spoke very positively, and the Director-General’s Annual Report on the state of public health. Work on an improved output plan is underway.</p> <p>While in and of itself each of these is a worthy document, and represents an improvement on prior documentation, it is very difficult to draw from them collectively a simple story about the future of the health sector system, the Ministry as an organisation and, above all, the vital few priorities or changes that will create most value for the future of New Zealand’s public health.</p> <p>The 2011/14 SOI provides a much improved outcomes framework and output plan. However, it is written in financial management language which is unlikely to win the hearts and minds of staff or stakeholders. The BIM reflects medium-term thinking but is high-level. The Integration work programme has recently been developed to improve momentum with respect to the Minister’s priorities in primary care, but has yet not been widely communicated internally. The ten required behaviours are not yet supported by an implementation plan. Many business units had ‘bottom up’ plans that had also been developed in the absence of any organising strategic framework.</p> <p>While it is early days in terms of the current Ministry leadership team, we note that the lack of a clear and compelling medium to long-term strategic framework for both sector and organisation was commented on in a Current State Review in 2006. We concur with most of the findings of that report, very few of which appear to have been implemented.</p> <p style="text-align: right;">Contd...</p>

	<p>The lack of an inclusively developed, distilled and clear vision and strategy for sector and organisation makes line-of-sight from system outcomes, down into the work of each Ministry staffer, very difficult. None of the strategy documents alluded to above is sufficiently granular to enable managers or staff to prioritise and trade-off resource investments.</p> <p>While the Ministry is improving its short-term responsiveness to Government priorities, its duty of stewardship requires that it plans for medium-term scenarios and takes a sector leadership role in stimulating debate. The Ministry needs to work with staff to reset its strategic plan, communicate it vigorously and cascade it into performance targets for business units and individuals at all levels in the organisation. While there are some signs that steps are being taken in this direction, a more systematic and urgent approach to this fundamental aspect of institution building is now needed.</p> <p>Setting the strategic direction and making choices about resource allocation in accordance with strategy is fundamental to running any large and distributed organisation under conditions of environmental uncertainty and fiscal constraint. The Ministry has a significant opportunity to undertake a strategy exercise, use it to simplify and streamline organisational activity, engage the hearts and minds of staff and stakeholders and embed an internal culture of discourse on the required results.</p> <p>Practically, the key to making vision and strategy happen will be in detailed implementation plans that support each identified priority. Regular checking in by ELT and third tier managers on achievements against targets needs to be embedded, including how changes in the external environment, especially ones that come through ELT’s assessments of risk, may affect the targets. Achievement of targets within timeframes also needs to cascade through into the performance management system, with real consequences for tardy or non-achievement against plans. This culture of implementation focus and consequences will be essential if the Ministry is to deal successfully with the challenges it faces, both now and in the medium term.</p>
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<p><b>Leadership &amp; Governance</b></p> <p>How well does the senior team provide collective leadership and direction to the agency?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>It is noteworthy that the Director-General is held in high regard externally and internally. Nevertheless, external stakeholders and Ministry staff would like to see the Ministry consistently exemplify the standards of performance, behaviour and pace needed to underpin a strong organisation and sector leader.</p> <p>There have been recent additions to the ELT, including the Chief Nurse and the Chief Medical Officer. The new ELT committees are expected to bring the required focus to areas of weakness in performance and finance, people capability and culture, policy and quality improvement. While it is too early for them to have gained traction, they are expected to also lead a whole-of-organisation approach to this work and visibly contribute to breaking down internal silos.</p> <p>The new ELT will need to operate as a single collective leadership team, focused on a clear and shared set of priorities, and with clear accountabilities for implementation. As discussed elsewhere, joint engagement in the development of a shared sector direction and organisational strategy would help with this. The ELT needs to be an executive group that works collectively on the whole business, allocating and trading-off resources to maximise shared outcomes.</p> <p>We suggest that though time spent together as a team will assist with this, effort also needs to be explicitly invested in team building and the development of a sense of shared ownership around the ELT table. ELT members will then need to work in a consistent and joined up manner with the tier three and four managers who will be crucial to embedding change.</p> <p>The tier three and four managers across the Ministry have started meeting regularly, and this is a key step in them taking responsibility for their part of changing the culture of the Ministry and delivering across Ministry work programmes.</p> <p>A change programme is required to improve the performance of the Ministry. Given this the Director-General should consider what support he needs through this process and ongoing. Options such as an increased Office of the Director-General, a Deputy Chief Executive, a Chief Operating Officer or some changes to management responsibilities could be considered.</p>


<p><b>Culture &amp; Values</b></p> <p>How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Weak</b></p>
	<p>The last 20 years of the Ministry have been shaped by a series of organisational restructures, and this has resulted in a Ministry culture that can be described as inefficient, bureaucratic and risk-averse. It is a culture that also does not always hold staff to account for non-delivery of key tasks on time or for poor quality of work.</p>
	<p>There has recently been a focus on developing a supportive culture. Given the relatively complex internal structure of the Ministry, following the creation of the bodies recommended by the MRG, it will be important for the Ministry to focus on building ‘one Ministry of Health’ with a single line of policy advice, where possible. It will also be vital to build a more confident, energetic and constructive culture. Parts of the organisation have experienced close to 20% of leaders in acting roles, which has created an atmosphere focused on short-term planning and decision-making. A more stable environment is beginning to prevail, with the new Director-General signalling that additional restructuring will only occur where realignment was necessary to facilitate more effective delivery.</p>
	<p>On a quarterly basis the Director-General and members of the ELT present a series of ‘road shows’ to all staff. These are helping to build a sense of a stronger organisation committed to a culture of openness and purpose. The Director-General has also recently clearly articulated the five key functions of the Ministry and expectations for ten desirable behaviours. These align closely to the key shifts external stakeholders saw as critical and are increasingly being talked about internally. This is an excellent development which now needs to be supported by a systematic programme of work to embed them and to align management and incentives with the required behaviours.</p> <p>There are also some promising initiatives and activities being undertaken in accordance with the new <i>Organisational Development Approach 2012-15</i>. These need to be embedded in a clear framework aligned to an overall strategy for the organisation and owned by the whole ELT. A strong period of institution building, including a focus on culture and values, is now needed to take the Ministry forward. This resulting common purpose will make the Ministry much more able to prioritise what matters, move with speed to implement new initiatives and support innovation in the sector.</p> <p>The Ministry has commenced work to build a supportive culture but we regard this work as in its infancy. The clear strategic framework and systematic programme of work discussed are vital to progress and an improved rating in this area.</p>



<p><b>Structure, Roles and Responsibilities</b></p> <p>How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business?</p> <p>How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>The Ministry has an unusual internal structure post the MRG reforms, with embedded boards and advisory bodies (including the NHB, NHITB, Capital Investment Committee (CIC) and HWNZ) which have direct reporting lines to the Minister. This is an unusual model but seems to be working currently.</p> <p>The Ministry and the boards work hard at making their interface work, and the current Director-General has a strong commitment to effective working relationships with these boards. However, without this willingness and in an event of poor relations, these structures could be less effective than is currently the case. An example where this could occur is in across organisation engagement on the critical workforce consequences of the Four-year Budget Plan and the integration work programme work.</p> <p>We suggest that, over the next year, the responsibilities of these boards be clarified, on the basis of lessons learned to date, to ensure they function as effectively as possible over the medium term, and in the event of tensions arising.</p> <p>It will be particularly critical, as mentioned elsewhere, for the NHB and the Ministry to be aligned to extract further savings and efficiencies through implementing different models of service delivery which will require new approaches to pricing, contracting and benefits tracking. Innovative service approaches and models of care need to be engaged on quickly, and the Ministry and the boards need to be aligned on cultural and organisation processes if these opportunities are to be captured, operationalised and scaled.</p> <p>The major impediment to the Ministry’s greater efficiency and effectiveness are the internal silos within the Ministry. The majority of external stakeholders considered that the strong internal cultures within, and duplication of effort between, individual business units significantly contributed to Ministry bureaucracy and slowness in decision-making.</p> <p>Currently, there is also evidence of a lack of clarity around the interface for parts of the Ministry that have a strong interest in the same outcome. A strategic roadmap, distilled to a level where each business unit and individual can see the contribution they need to make, and where they need to collaborate to secure results, would go a long way to mitigating the effects of silos, as would clearly defined roles and responsibilities.</p> <p style="text-align: right;">Contd...</p>

	<p>This is even more important following the amalgamation of most policy advice functions in to the Policy business unit. If silos persist, other business units will be increasingly operating without a thought centre.</p> <p>A strong programme management regime or office, together with quality and time management systems embedded, would also assist in supporting cross business unit and cross-sector projects and would foster greater agility in forming teams for specific purposes. It will be important that the focus here is on a joined up programme of work, rather than on atomised projects. There is an internal tendency to start projects and excessively use pilots, as opposed to clear business cases and proper work stream architecture.</p>
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**Review**  
 How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>As referred to elsewhere, the Ministry’s accountability documents now tell a good story, albeit in financial language and frameworks, of how its activities deliver the impacts it seeks to make to deliver system outcomes. The Ministry has a good basis for building on this but there is significant work still to do to get the organisation and sector aligned.</p> <p>The Ministry has acknowledged that it needs to improve its internal monitoring of achievement of its impacts, including streamlining of KPIs, at a functional level and at ELT. This is currently at an early stage. This needs to be supported by a strategic outcome framework, as discussed elsewhere in this report.</p> <p>The Ministry has recently introduced monthly reporting of output performance measures, based on the set of external measures but including several measures that are not reported externally. There have also been initial conversations about incorporating regular reporting to the ELT on impacts, outcomes and sector influence in a consolidated way. Regular reports on such things as health targets, DHB deficits and purchased services are circulated internally and to the Minister, but a systematic approach to such reporting has not been taken.</p> <p>We also found little evidence of an evaluation culture within the Ministry, whether applied to policies, work programmes or services, with particularly low evidence of systematic stakeholder or customer review. High quality business cases, including financial modelling and cost-benefit analysis, do not seem to be consistently in place to support new or key initiatives.</p> <p style="text-align: right;">Contd...</p>
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When we asked managers how they would know that a project or work programme was successful, many struggled to answer. We also found relatively low awareness of benefits tracking, with little baselining of the current state before embarking on changes, making the quantification of benefits difficult to demonstrate.


Many interviewees spoke to us of a culture of no or low consequences for poor implementation, under-developed feedback loops for lessons learned and an unwillingness by managers to stop projects once initiated.

If the Ministry is to implement a change programme of the magnitude that appears to be required, it is essential that attention is paid to developing a stronger culture of evidence, review and follow up action. Moving to a rating of 'Well placed' in this area would require:

- quarterly or monthly reviews of organisational performance against agreed KPIs at ELT, including reports on both organisational and sector financial and non-financial performance, risk and human resource issues
- the formation of an internal evaluation group whose role it is to evaluate key health programmes
- review the work of existing analysis/data/evaluation teams in the Ministry and how they feed into decision-making processes across the organisation
- a regular programme of project monitoring and reporting, focused on quantitative and qualitative benefits tracking, with poorly performing projects stopped or reconfigured
- more rigour with regard to business case development and approvals.

## ORGANISATIONAL MANAGEMENT SECTION

### Part Two: External Relationships

<p><b>Engagement with the Minister(s)</b> How well does the agency provide advice and services to its Minister(s).</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p> <p>The current Director-General, ELT members and advisory bodies have made impressive efforts to improve relationships with Ministers and ensure that Government priorities are more effectively met. Ministers reported improvements in the timeliness and responsiveness of advice, increasing respect and growing confidence in constructive working relationships.</p> <p>However, Ministers still reported at times a relatively slow response to requests for advice, a tendency to provide advice that is overly detailed and short-term in its focus, and some continuing weakness in the provision of options.</p> <p>As noted above in the section on policy, the Ministry will need to give broad ranging advice to Government as it continues to build on current progress. Such matters as primary care reform and capital replacement (eg, the new hospital in Christchurch) will also require greater commerciality of view to be incorporated into advice.</p> <p>The Ministry has recently established an Office of the Director-General (ODG), which includes the function of interacting with Ministers’ offices to ensure that Ministers’ needs are met. All documents going to Ministers are now required to undergo peer review, management sign-out and review by the ODG. Monitoring has shown a trend of improvement in quality and a reduction in the number of reports by-passing the ODG. The ODG has also worked with specific teams to improve quality.</p> <p>Government Relations tracks the timeliness of Official Information Act (OIA) responses, briefings, Health Reports and correspondence, and reports on these monthly to managers and the ELT. While the quality of OIA responses is variable, with minor errors occurring frequently, actions are underway to address this. Timeliness of OIA responses continues to be a challenge, especially for those that require the involvement of teams outside Wellington.</p> <p>The responsible Minister is asked three times a year for his feedback on the quality of analysis and advice from the Ministry. His rating of the quality of the Ministry’s advice has risen from 2 (met but sometimes fell short of expectations) to 4 (met and sometimes exceeded expectations) in the two most recent assessments. There is also an increase in the level of responsiveness to the Minister’s specific instructions.</p> <p style="text-align: right;">Contd...</p>

The Ministry will achieve a 'Strong' rating in this area when Ministers receive workable options from the Ministry to improve medium to longer-term health sector performance and when the Ministry is consistently viewed by Ministers as their 'first, best' advisor.

### Sector Contribution

How well does the agency provide leadership to, and/or support the leadership of other agencies in the sector?

#### PERFORMANCE RATING



Performance Rating: **Needing development**

The Ministry's leadership role in the health sector is discussed elsewhere in this report, including in Core Business 2, Sector Planning and Performance. This section primarily refers to the Ministry's work with the other social sector government agencies, including the Whānau Ora programme, to influence health and other social outcomes.

The Ministry's engagement in the social sector is important because the majority of health solutions are beyond the hospital walls in better nutrition, housing, education and employment. Stakeholders spoke of the multi-sector challenge the Ministry now faces, including playing a key role in the implementation of Whānau Ora, and working on issues such as Māori and Pacific health, child poverty and youth mental health with housing, welfare, justice and other agencies. We agree that the Ministry needs to take its share of responsibility for solving these long-term and intractable problems.

The Ministry has not always engaged well in cross-sector work. Often its input has been seen to be distant, person dependent and unassertive. Among other things this reflects the Ministry's staff turnover, internal silos and the historically variable performance of the Ministry's policy areas.


As discussed elsewhere in this report, the Ministry is regarded as performing well in a crisis situation, such as the pandemic or the early response to the Christchurch earthquakes, both of which have involved considerable cross-sector work. The Ministry contributed well to the Welfare Working Group process.

In relation to Whānau Ora, stakeholders noted that while the Ministry was slow to get on board, it is making a positive contribution to facilitation of the programme. However, the Ministry does not appear to have considered the possibility of scaling up this delivery model, nor innovating in order to lead on Whānau Ora type approaches. This is a leadership opportunity for the Ministry given that potential co-investment in outcome based Whānau Ora may deliver better results for significantly less funding.

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	<p>If the Ministry is to lift its rating in this area, there are opportunities, based on the recent improvements and the developing confidence of stakeholders, to:</p> <ul style="list-style-type: none"> <li>• prioritise cross-sector work and ensure that high quality resources and continuity of input are provided</li> <li>• build better relationships with other social sector agencies, and with end stakeholders in regard to initiatives such as Whānau Ora, and be assertive in the situations where the Ministry has a leadership role</li> <li>• move quickly to respond to new initiatives, evaluate benefits and scale up where benefits are identified, or cease projects quickly where benefits do not eventuate.</li> </ul>
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**Collaboration & Partnerships with Stakeholders**  
 How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>The Director-General, senior staff and leaders in the NHB, CIC, and HWNZ boards and supporting Ministry business units have made a concerted and acknowledged effort to improve sector relationships. Nevertheless, external stakeholders still consider that dealing below that level is disengaged and not consultative. These findings are at odds with the Ministry’s PIF Self-review, which found that the organisation has a high level of positive engagement with external stakeholders.</p> <p>The Ministry needs to be consistently responsive to requests to discuss or co-create different models of delivery that would have net benefits to the sector. Similarly, there are real opportunities within the sector to more efficiently and effectively implement initiatives if there was early engagement with respective stakeholders on implementation planning. A work programme with a systematic stakeholder engagement strategy, with fewer but more targeted interactions that deliver more effective outcomes, is needed.</p> <p>The Ministry should also not confuse good stakeholder relations with its independent policy adviser and regulatory roles and the natural tension in the funder/provider relationship. While the Ministry may not always agree with other stakeholders, it is vital that it is an acknowledged leader with which the sector can have high quality engagements on challenging issues.</p> <p>The Ministry does not regularly survey its stakeholders, nor use the results of such analysis to inform a communications and stakeholder relationship plan. Doing this could assist it to quickly get traction on its leadership role within the sector.</p> <p style="text-align: right;">Contd...</p>
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	To be strong on collaboration and partnership with stakeholders, the Ministry will need to move to consistently high quality stakeholder engagement, streamline engagement pathways and make it easy for partners to engage with it to reduce barriers to innovation. Doing so would result in financial benefits, service improvements and therefore health system performance gains.
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<p><b>Experiences of the Public</b> How well does the agency meet the public's expectations of service quality and trust?</p>
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<p><b>PERFORMANCE RATING</b></p> <p>■</p>	<p>Performance Rating: <b>Not rated</b></p> <p>The Ministry largely does not provide services directly to the public; rather it purchases services which are delivered by DHBs and other providers. It does not undertake any surveys of the public, although there is some surveying of patient experience through the State Services Commission's Kiwis Count survey, and the Ministry's New Zealand Health Survey. The Health Quality and Safety Commission and DHBs also undertake some quality and patient satisfaction assessments, though this is not about public satisfaction with the Ministry of Health services. Therefore we have not rated the Ministry on this section of the Performance Improvement Framework.</p>
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## ORGANISATIONAL MANAGEMENT SECTION


### Part Three: People Development


<p><b>Leadership &amp; Workforce Development</b></p> <p>How well does the agency develop its workforce (including its leadership)?</p> <p>How well does the agency anticipate and respond to future capability requirements?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>Over the past four years and against a backdrop of ongoing organisational restructuring, the Ministry has had an ad hoc approach to workforce development. It has focused on activities at the level of individuals, as opposed to looking at capability and capability development for a team or business unit or taking an organisational perspective.</p> <p>Despite this context, the Ministry was able to move many of its learning and development activities towards a more standardised approach through the introduction of the Lominger Competency Framework and the creation of common roles across 70% of the Ministry’s job descriptions.</p> <p>As the Ministry’s Self-review noted, over the 2011-12 period there has been recognition of the need for investment in organisational development and there has been considerable activity in this area, including:</p> <ul style="list-style-type: none"> <li>• establishing a dedicated role for a Principal Advisor, Organisational Development</li> <li>• the development of an Organisational Development strategy, which includes a whole-of-Ministry approach to leadership, talent management and succession planning</li> <li>• developing a workforce planning and capability process that will build organisational, business unit and individual capability assessments and allow the Ministry to better forecast and plan for future capability needs</li> <li>• the introduction of a 100-day leadership transition coaching programme for all new second and third tier staff</li> <li>• infrastructural changes to the learning and development programme of work</li> <li>• the development of a Learning Management System (scheduled for implementation in the first quarter of 2012).</li> </ul> <p>The Ministry is currently pulling all of these activities into a draft Workforce Strategy. This will be monitored through the People, Capability and Culture Sub-committee of ELT, in an attempt to ensure a whole-of-Ministry approach, rather than progress being driven solely by the HR function.</p> <p style="text-align: right;">Contd...</p>



	<p>While of all this represents significant progress in the right direction, it is currently too early to tell if these initiatives will gain traction.</p> <p>Looking forward, there is an opportunity to build a more attractive recruitment brand in order to attract capable staff from the health sector and the wider public sector. Secondments from and exchanges with the sector will help to build a more constructive and confident Ministry culture.</p>
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**Management of People Performance**  
 How well does the agency encourage high performance and continuous improvement among its workforce?  
 How well does the agency deal with poor or inadequate performance?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>Historically, people development was managed in an ad hoc and largely manager-driven way. However, through the establishment of a People Board and supporting framework in early 2012, the Ministry is taking a more deliberate organisational approach for managing and building a performance culture. These measures have yet to deliver results, but are clearly moving in the right direction.</p> <p>As for many agencies, managing poor performance remains a challenge in a number of respects, including:</p> <ul style="list-style-type: none"> <li>• managerial capability in having courageous conversations with poor performers is very mixed</li> <li>• staff and managers report a culture of no or low consequences for poor behaviour, in which on-going performance problems are tolerated over long periods</li> <li>• the performance management system is clunky and outdated (though relevant policies have been updated and the system is currently under external review)</li> <li>• the link between performance and remuneration is weak and the remuneration framework requires change.</li> </ul> <p>In addition to this, a wider issue seems to be that some managers, especially at tiers 3 and 4, lack basic management skills in hygiene factor areas such as staff leave management, the management of contractors and part timers, induction and exit management. Getting traction on these areas will require strong internal HR capability in addition to ownership and drive from the ELT. Getting day-to-day people management right will go a large part of the way towards rebuilding internal culture and gaining greater external respect.</p>
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<p><b>Engagement with Staff</b></p> <p>How well does the agency manage its employee relations?</p> <p>How well does the agency develop and maintain a diverse, highly committed and engaged workforce?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Weak</b></p> <p>In August 2011 the Ministry completed the Gallup Engagement Survey. The engagement score (grand or overall mean) increased from 3.44 in 2009 to 3.55 (out of 5). There has been an improvement from the 24th percentile to the 32nd percentile of the New Zealand State Sector Database.</p> <p>The engagement ratio has also improved from 0.74:1 to 1.05:1, with the number of engaged staff in 2011 sitting at 21% compared to 17% in 2009. The number of disengaged staff has decreased from 23% in 2009 to 20% in 2011.</p> <p>The areas for improvement reflect that the Ministry needs to improve how its people see their role contributing to the Ministry’s overall mission and purpose, and that the foundational aspects of engagement (Questions 1–4) are weak. The latter point indicates a need to focus on meeting these foundational needs of staff and ensuring they have the right tools to do their work.</p> <p>The Ministry has comparatively high levels of staff turnover, at 16% in 2011 against a Public Service norm of 11%. Systematic work group and organisation wide action plans in response to the engagement survey are critical. ELT needs to carefully monitor the follow-up taken in response to the engagement survey.</p>


## ORGANISATIONAL MANAGEMENT SECTION


### Part Four: Financial and Resource Management


<p><b>Asset Management</b> How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>Most of the Ministry’s \$45 million fixed asset investment is in its IT systems – for health sector information systems and sector payments (covered in Core Business 5 and 6 in this report). It could be argued that the Ministry has maximised the life of these fixed assets, but the downsides are that some of them have become expensive to fix, have internal control issues (as identified by successive audit reports) and do not facilitate delivery of good information to support optimal decision-making. A comprehensive asset management plan does not appear to be in place although some planning is occurring.</p> <p><b>Sector</b></p> <p>Ministry’s oversight of overall health sector fixed assets, most of which are in DHBs, prior to the 2009 MRG changes was poor. The result was that some projects did not achieve their goals and some overlapped or were duplicated between sector participants.</p> <p>This has been rectified to some degree in the past few years by the NHB, the NHITB and the CIC, which have rationalised and streamlined capex and IT projects, and focused on where these can best be delivered regionally and nationally.</p> <p>The NHB and NHITB initiatives have prioritised capital and associated operating spend and delivered capital projects in critical areas in a timely manner. These areas are well placed to manage future IT and information management spend for the Ministry and the sector in a sustainable manner provided the relationship issues referred to in this report can be addressed.</p> <p>However, there are some challenges in this area:</p> <ul style="list-style-type: none"> <li>• management of capital decision-making is still not meeting Ministers’ needs. Although the NHB and CIC have effectively managed down sector expectations, they have not yet effectively constrained requests for new capital from the sector, nor promoted new and innovative approaches to procurement</li> </ul> <p style="text-align: right;">Contd...</p>

	<ul style="list-style-type: none"> <li>• there has been some progress on options the Minister of Finance has been signalling for some time, including increased use of private asset ownership and partnership. Market soundings on a possible hospital public-private partnership are now underway, but overall the Ministry has responded slowly</li> <li>• policy input is inadequate, reflecting a lack of engagement with the Policy business unit.</li> </ul> <p>The Ministry now has an opportunity to facilitate private sector funding of capital opportunities. The Ministry now recognises the need to get specialist in-house skill in this area, and to make adjustments to internal processes to capitalise on the wider benefits that private sector interface could bring. However, the Ministry will also need to move Ministry culture and processes to recognise and maximise these opportunities.</p>
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**Information Management**  
 How well does the agency utilise information & communications technologies to improve service delivery?

<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Well placed</b></p> <p>This section covers the Ministry’s corporate ICT systems such as the FMIS, HR systems, internet presence, intranet and the desktop environment, as well as its general information management environment. The information systems that support Payment Services are covered in this report under Core Business 6, Payment Services. National systems (such as the National Health Index and National Collections) are covered under Core Business 5, Health Sector Information Systems.</p> <p>The Ministry has recently made a considerable investment in its core corporate ICT to bring it up to a good standard. This has included an improved desktop environment, a new intranet (acknowledged by staff), re-launch of its external web presence and tools such as to support employee leave management. BASS Management Practice Indicators have improved in this area. Work is also occurring to improve the ICT security environment.</p> <p>While it has sometimes been difficult for the Ministry to provide appropriate resource for corporate IT because of the considerable demands of sector IT, an appropriate focus is now being achieved.</p> <p>Some work is still required on external websites and an internal audit plan is yet to be produced for the ICT area.</p>
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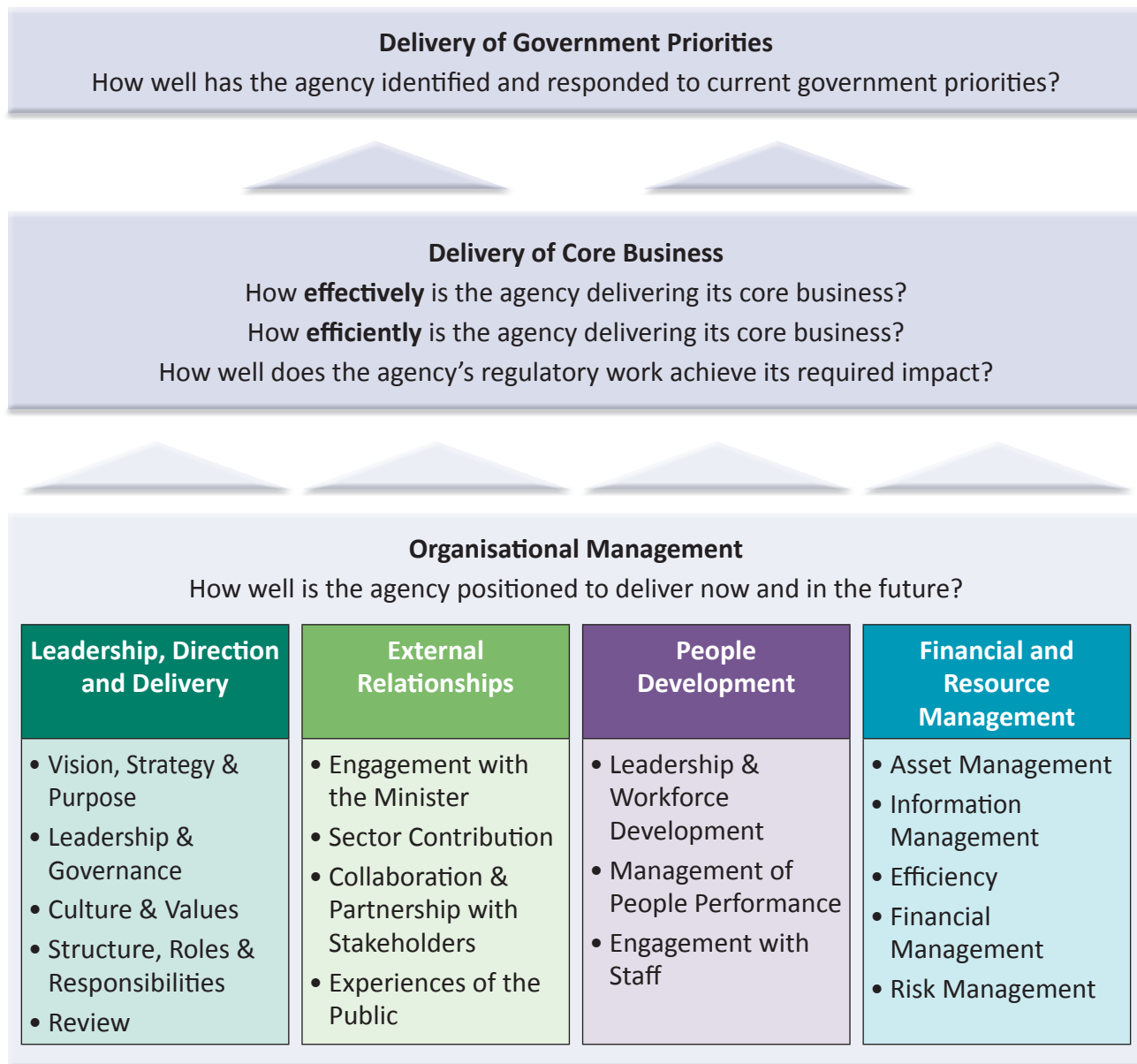
<p><b>Efficiency</b></p> <p>How robust are the processes in place to test for efficiency and make efficiency improvements? How well does the agency balance cost and quality when considering service delivery options?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>This section covers the Ministry’s departmental spend, with sector efficiency (and the Ministry’s role in promoting it) covered under Government Priority 5, Improving Value for Money. To date most of the Ministry’s efficiency improvement has resulted from imposed reductions in the Ministry’s baseline.</p> <p>The Ministry scores at the median in most of the BASS and Management Practice Indicator measures, and has or is addressing areas where it has not ranked well. It would benefit from an aspiration to be the leanest and best performer.</p> <p>There are no formal processes to test for efficiency; however, there are some initiatives which should be made systemic for example, the Chief Financial Officer (CFO) screens for work programmes where service delivery appears unchanged but costs have increased. We expect improved governance oversight of this at the new ELT Performance and Finance Committee.</p> <p>As noted elsewhere in this report, output and some impact measures of efficiency would benefit from streamlining and being reflected in regular reporting to ELT on performance against KPIs. This will be unnecessarily complicated without a strategic framework which is cascaded to individual performance targets and business unit work plans.</p> <p>Most important in this area is the cultural shift needed to move from a cost-cutting mindset to one that approaches all processes with a cost-benefit analysis tailored to the simplicity or complexity of the proposal. This will move the financial culture from mean, which can be very counterproductive, to lean, which can be very enabling in the prioritisation of constrained capital and operating spend, including human resource, to areas of greatest need.</p>

<p><b>Financial Management</b> How well does the agency manage its financial information and ensure financial probity across the business?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p><b>Performance Rating: Needing development</b></p> <p>While core day-to-day finance functions are generally performing well, internal control concerns have been commented upon in recent financial and performance audit reports. The focus in this area has been strengthened by improving the internal audit function and through the oversight provided by the Audit, Finance and Risk Committee. Particularly important has been the emphasis the Director-General has placed on best practice internal control processes and on using the external service performance framework for measuring internal performance. Although there is some way to go there has been a strong improvement over the past year.</p> <p>We remain concerned that strategic financial management at the operating level tends to be viewed as a matter for the CFO, or perhaps the new ELT subcommittee, rather than a matter of concern to the whole ELT. We would like to see financial management approached in a less mechanical way and in a manner that better informs regular executive decision-making, underpinned by sound executive financial literacy.</p> <p>The Ministry’s annual planning process also needs improved alignment with DHBs. This has been recently underscored in the Minister’s letter of expectations, and the Ministry has acknowledged that the process for doing this could be streamlined and made more systematic.</p> <p>The Ministry accepts that its Four-year Budget Plan needs considerable refinement in the future, especially in internal and external consultation on reprioritisation and its consequences. As the steward of the health system, the Ministry also needs to undertake future scenario analysis and demand modelling over a much longer timeframe. It is particularly weak in this area, even though the longer-term risks have been identified as key challenges.</p>

<p><b>Risk Management</b> How well does the agency manage agency risks and risks to the Crown?</p>	
<p><b>PERFORMANCE RATING</b></p> 	<p>Performance Rating: <b>Needing development</b></p> <p>The Ministry’s risk framework includes a top-down process for identifying and managing strategic risks and a bottom-up process for identifying and managing operational risks. The Ministry and the Audit, Finance and Risk Committee acknowledge that there is a disconnect between these two perspectives of risk which is hindering a full view of risk for the Ministry.</p> <p>The Ministry faces a particularly dynamic operating environment and care will be required to build in risk approaches to the emergent strategic direction and the key challenges the Ministry articulates over the longer term. As an example, the new integration plan will deliver improvements in service delivery in a more financially sustainable way, and there will need to be an accompanying risk management plan or link to the management of long-term demand risks and pressures.</p> <p>The Ministry would get a great deal of benefit from investment in long-term planning capability, especially to address in detail the consequences of future risks and mitigation scenarios. This needs to be on-going and dynamic, rather than compliance and reporting driven. It is essential that risk-based information forms part of regular Board and ELT discussions on implementation and financial management, as well as underpinning the risk exposures with respect to delivering the (eventual) long-term strategic plan.</p>

# APPENDIX A

## Overview of the Model





## Lead Questions

<b>Results</b>	
<b>Critical Area</b>	<b>Lead Questions</b>
Government Priorities	1. How well has the agency identified and responded to current government priorities?
Core Business	2. How <b>effectively</b> is the agency delivering this core business area? 3. How <b>efficiently</b> is the agency delivering this core business area? 4. How well does the agency's regulatory work achieve its required impact?

<b>Organisational Management</b>		
<b>Critical Area</b>	<b>Element</b>	<b>Lead Questions</b>
Leadership, Direction and Delivery	Vision, Strategy & Purpose	5. How well has the agency articulated its purpose, vision and strategy to its staff and stakeholders? 6. How well does the agency consider and plan for possible changes in its purpose or role in the foreseeable future?
	Leadership & Governance	7. How well does the senior team provide collective leadership and direction to the agency? 8. How well does the board lead the Crown Entity? <i>(For Crown Entities only)</i>
	Culture & Values	9. How well does the agency develop and promote the organisational culture, behaviours and values it needs to support its strategic direction?
	Structure, Roles & Responsibilities	10. How well does the agency ensure that its organisational planning, systems, structures and practices support delivery of government priorities and core business? 11. How well does the agency ensure that it has clear roles, responsibilities and accountabilities throughout the agency and sector?
	Review	12. How well does the agency monitor, measure, and review its policies, programmes and services to make sure that it is delivering its intended results?
External Relationships	Engagement with the Minister(s)	13. How well does the agency provide advice and services to its Minister(s)?
	Sector Contribution	14. How well does the agency provide leadership to, and / or support the leadership of other agencies in the sector?
	Collaboration & Partnerships with Stakeholders	15. How well does the agency generate common ownership and genuine collaboration on strategy and service delivery with stakeholders and the public?
	Experiences of the Public	16. How well does the agency meet the public's expectations of service quality and trust?
People Development	Leadership & Workforce Development	17. How well does the agency develop its workforce (including its leadership)? 18. How well does the agency anticipate and respond to future capability requirements?
	Management of People Performance	19. How well does the agency encourage high performance and continuous improvement among its workforce? 20. How well does the agency deal with poor or inadequate performance?
	Engagement with Staff	21. How well does the agency manage its employee relations? 22. How well does the agency develop and maintain a diverse, highly committed and engaged workforce?
Financial and Resource Management	Asset Management	23. How well does the agency manage agency and Crown assets, and the agency balance sheet, to support delivery?
	Information Management	24. How well does the agency utilise information & communications technologies to improve service delivery?
	Efficiency	25. How robust are the processes in place to test for efficiency and make efficiency improvements? 26. How well does the agency balance cost and quality when considering service delivery options?
		Financial Management
	Risk Management	28. How well does the agency manage agency risks and risks to the Crown?

## APPENDIX B

### List of Interviews

This review was informed by input provided by a number of Ministry of Health staff, relevant Ministers, the central agencies and by representatives from the following businesses, organisations and agencies.

Agency/Organisation
Aged Care Association
Association of Salaried Medical Specialists
Audit New Zealand
Community Living Trust
Compass Health
Disability Support Network
District Health Boards – representatives in governance, management or clinical roles from a number of DHBs
Health Quality and Safety Commission
Health Workforce New Zealand
Life Unlimited
National Hauora Coalition
National Health Board
National Health Committee
National Health Information Technology Board
New Zealand Family Planning
Pegasus Health and Medical Group
Platform Trust
Public Service Association
Royal New Zealand College of General Practitioners
Royal New Zealand Plunket Society
St John Ambulance