

**Security classification:** Sensitive-Budget

**Health Report:** Call against National Screening Solution (National Bowel Screening Programme) Business Case tagged contingency Budget 2016

Date:	13 August 2018	Report No:	201811131
		File Number:	AD62-14-2018

### Action Sought

	Action Sought	Deadline
Minister Robertson	Sign	27 August 2018
Minister Clark	Sign	20 August 2018
Minister Genter	N/A	
Minister Salesa	N/A	

### Contact for Telephone Discussion (if required)

Name	Position	Telephone	Contact Order
Jill Lane	Director, Service Commissioning	021 409 597	2nd Contact
Astrid Koornneef	Group Manager, National Screening Unit	027 362 3625	1st Contact

### Actions for the Minister's Office Staff

<b>Return</b> the signed report to Ministry of Health
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Note any feedback on the quality of the report

**Enclosure:**

Security classification: Sensitive-Budget

File number: AD62-14-2018  
Action required by: 20 August 2018

## Call against National Screening Solution (National Bowel Screening Programme) Business Case tagged contingency in Budget 2016

To: Hon Grant Robertson, Minister of Finance  
Hon Dr David Clark, Minister of Health

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### Purpose

This report seeks approval from the Minister of Finance and the Minister of Health (joint Ministers) to approve the National Screening Solution (NSS) Business Case, and release the \$13.969 million balance of the \$15.969 million tagged capital contingency established in Budget 2016 [CAB-16-MIN-0189.14 refers] for the National Bowel Screening Programme (NBSP) by approving the National Screening Solution (NSS) Business Case. The \$13.969 million balance, together with previously approved operating funding and reprioritisation of existing baselines within Vote Health, will fund the development and implementation of the information technology (IT) solution now known as the NSS.

### Key points

- Budget 2016 allocated a total of \$15.969 million in contingency funding over four years to develop the national information technology (IT) solution now referred to as the National Screening Solution (NSS) for the NBSP [CAB-16-MIN-0189.14 refers].
- In August 2016, Cabinet agreed the NBSP Business Case to implement the NBSP. Cabinet also agreed to delegating the approval of future business cases to the Minister of Finance and the Minister of Health (joint Ministers) [SOC-16-MIN-0108 refers].
- In March 2017, Cabinet noted the NBSP would have a phased roll-out [SEC-17-MIN-0016 refers].
- In December 2017, the Cabinet Business Committee [CBC-17-SUB-0081 refers] authorised with the Power to Act [CAB-17-MIN-0565 refers]:
  - noted the revised approach and extended timeframe for the roll-out of the NBSP to be completed by the 2020/21 financial year [a one year extension] due to the complexity of NBSP implementation
  - agreed to the Ministry [of Health] drawing down \$2 million from Budget 2016's \$15.969 million tagged contingency in the 2017/18 financial year as a charge against the NBSP capital contingency. The early draw down was to support the discovery and solution design phase of the NSS.
- As outlined in the Business Case (page 55), in addition to the funding that will be met from a call on the contingency funding referred to above, some transfers within existing Vote Health baseline will be required to meet ongoing operating costs. Given the nature of the NSS programme and greater clarity on where costs lie (both capital and operating and between Departmental output expenses (DE) and non-departmental output expenses (NDE) out year baselines), to ensure funding is correctly allocated some transfers between NDE and DE appropriations will be required as well as capital to operating swaps. These changes will be actioned as part of future baseline update or Budget processes.
- The Ministry of Health (the Ministry) contracted Deloitte to undertake the discovery and solution design phase of the NSS.

- A second business case, the 2018/19 NBSP Business Case will be sent to the joint Ministers for noting. This business case is to enable bowel screening to be rolled out in the Hawke's Bay, Lakes, MidCentral, Nelson Marlborough and Whanganui District Health Board (DHB), Health Report (HR20181067 refers).

## Recommendations

### The Ministry recommends that you:

Minister of Finance      Minister of Health

- Note** that Cabinet agreed, in Budget 2016, to establish a tagged contingency of \$15.969 million for the national information technology (IT) solution now referred to as the National Screening Solution (NSS) [CAB-16-MIN-0189.14 refers].
- Note** that the Minister of Finance and the Minister of Health are authorised jointly to approve the draw down of the tagged contingency following their approval of the NSS Business Case by the Ministry of Health (the Ministry) [SOC-16-MIN-0108 refers].
- Note** the Ministry drew down \$2 million of the \$15.969 million capital contingency in the 2017/18 financial year for the National Bowel Screening Programme [CBC-17-SUB-0081 refers].
- Note** the draw down was to meet the anticipated costs for the discovery and solution design phase of the project, prior to submission of the NSS business case.
- Note** that Cabinet approved the following capital injection to the Ministry of Health to give effect to the decision in recommendation c) above, with a corresponding impact on debt:

	\$m – increase/(decrease)				
	2017/18	2018/19	2019/20	2020/21	2021/22 & Outyears
Ministry of Health Capital injection	2.000	-	-	-	-

- Approve** the NSS Business Case to develop the NSS. Yes/No      Yes/No
- Approve** the following changes to appropriations as a drawdown from the tagged contingency for National Bowel Screening Programme to give effect to the decision in recommendation b) and f) above: Yes/No      Yes/No

	\$m – increase/(decrease)			
	2017/18	2018/19	2019/20	2020/21 & outyears
Vote Health Minister of Health				
Ministry of Health - Capital Injection	-	10.092	3.144	0.733
<b>Total Capital</b>		<b>10.092</b>	<b>3.144</b>	<b>0.733</b>

- Agree** that the changes referred to in this paper be included in the 2018/19 Supplementary Estimates, and that in the interim, these costs be met from Imprest Supply. Yes/No      Yes/No

- i) **Note** to ensure funding associated with the NSS programme are correctly allocated between departmental (DE) and non-departmental (NDE) out year baselines as noted in the NSS Business Case, some transfers between NDE and DE appropriations will be actioned as well as capital to operating swaps as part of a future baseline update or Budget processes.
- j) **Note** that the 2018/19 NBSP business case to enable bowel screening in the Hawke's Bay, Lakes, MidCentral, Nelson Marlborough and Whanganui District Health Board (DHB) regions is being presented to the joint Ministers (HR20181067 refers), concurrently, for approval.
- k) **Agree** to the Ministry making available a copy of the NSS Business Case and this Health Report on its website (with redactions as necessary, had the documents been requested under the Official Information Act 1982), within six weeks after the joint Ministers have approved the business case.

**Yes/No**

**Yes/No**



Jill Lane  
**Director**  
**Service Commissioning**

Hon Grant Robertson  
**Minister of Finance**  
**Date:**

Hon Dr David Clark  
**Minister of Health**  
**Date:**

## Call against National Bowel Screening Programme Business Case tagged contingency in Budget 2016

### Background

- As part of Budget 2016, Cabinet approved partial funding to implement a National Bowel Screening Programme (NBSP) [CAB-16-MIN-0189.14 refers], subject to a re-stated NBSP Business Case. The NBSP Business Case was approved by Cabinet in August 2016 [SOC-16-MIN-0108 refers].
- Cabinet delegated authority to the Minister of Finance and the Minister of Health (joint Ministers) to approve future business cases, including the NSS business case [SOC-16-MIN-0108 refers].
- Budget 2016 approved \$39.3 million over four years to fund the design, planning and set-up phases of the NBSP, including \$15.969 million set in contingency to fund the information technology (IT) development needed for the NBSP. This is now referred to as the National Screening Solution (NSS).
- The contingency period for the \$15.969 million was extended to 1 February 2018 from 1 February 2017 [SOC-17-MIN-003 refers]. The \$15.969 million contingency period was further extended to 31 December 2018 [CBC-18-MIN-0081 refers].
- In December 2017, Cabinet Business Committee (CBC) agreed to the Ministry of Health (the Ministry) drawing down \$2 million of the contingency in the 2017/18 financial year as a charge against the NBSP capital contingency [CBC-17-SUB-0081 refers] to support the discovery and solution design phase of the NSS.

### NBSP funding

- NBSP funding is allocated through Budget bids supported by their respective business cases. To date the following funding has been agreed or established in contingency.

#### National Bowel Screening Funding

		2016/17	2017/18	2018/19	2019/20 & outyears		Total	
<b>Budget 2016</b>	\$ million							
DE		5.445	5.145	4.915	4.84		20.345	
NDE		6.456	6.616	3.072	2.82		18.964	
<b>Total</b>		<b>11.901</b>	<b>11.761</b>	<b>7.987</b>	<b>7.66</b>		<b>39.309</b>	
Tagged Contingency Budget 2016	\$ million	6.189	5.441	4.339	0.000		<b>15.969</b>	
		2016/17	2017/18	2018/19	2019/20	2020/21 & outyears	Total	
<b>Budget 2017</b>	\$ million							
DE		0.000	0.000	0.000	0.000	0.000	0.000	
NDE		0.000	7.238	6.282	5.701	6.898	26.119	
<b>Total</b>		<b>0.000</b>	<b>7.238</b>	<b>6.282</b>	<b>5.701</b>	<b>6.898</b>	<b>26.119</b>	
Tagged Contingency Budget 2017	\$ million	0.000	1.832	3.713	3.585	3.300	<b>12.430</b>	
		2016/17	2017/18	2018/19	2019/20	2020/21	2021/22 & outyears	Total
<b>Budget 2018</b>	\$ million							
DE		0.000	2.000	4.000	4.000	2.500	2.500	15.000
NDE		0.000	0.000	13.391	13.184	13.314	14.196	54.085
<b>Total</b>		<b>0.000</b>	<b>2.000</b>	<b>17.391</b>	<b>17.184</b>	<b>15.814</b>	<b>16.696</b>	<b>69.085</b>
Tagged Contingency Budget 2018	\$ million	0.000	0.000	17.391	17.184	15.814	16.696	<b>67.085</b>

- The 2018/19 NBSP Business Case to enable bowel screening to be rolled out in the Hawke's Bay, Lakes, MidCentral, Nelson Marlborough and Whanganui District Health Board (DHB) regions has a

separate Health Report (HR20181067 refers). It will be sent to the joint Ministers for approval, concurrently.

## Budget 2018

8. Budget 2018 approved \$67.085 million as follows:
  - a. \$54.085 million over four years plus outyear funding for:
    - i. the NBSP to be delivered in five more DHB regions (Nelson Marlborough, Lakes, Hawkes Bay, Whanganui and Mid Central). This included funding for the DHBs, as well as the costs of servicing this population by the National Coordination Centre (NCC), the screening test (faecal immunochemical test) laboratory and bowel screening regional centres.
    - ii. Waitemata DHB additional costs associated with screening the grand-parented pilot participants aged 50-59 years.
  - b. \$13 million over four years plus outyear funding for the operation of the NBSP National Screening Solution [CBC-18-MIN-0081 refers].
9. The funding to implement the remainder of the NBSP is subject to further Budget bids.
10. The Ministry is seeking the approval of the NSS Business Case by the joint Ministers to utilise the \$13.969 million tagged contingency from Budget 2016 for the NBSP to develop the NSS [CAB-16-MIN-0189.14 refers].

## Independent Assurance Review of the NBSP

11. In February 2018, the Minister of Health (the Minister) announced that an Independent Assurance Review of the NBSP (the Review) would be undertaken in response to the Ministry finding that an IT systems error led to approximately 15,000 people not receiving invites to participate in the Bowel Screening Pilot between 2012 and 2017.
12. In early July 2018, the Ministry received the final report from the Review, which included 19 High Level recommendations for the Ministry. The Ministry has accepted all the recommendations and a work programme to implement these is being established.
13. On the advice of the Central Agencies, the Ministry has included the recommendations and Ministry comment at Appendix 1 of the Business Case.

## Risks

14. Having completed the procurement and contract negotiations with Deloitte, the Ministry seeks to draw down the funding set aside in contingency in Budget 2016. This will enable the Ministry to pay for the configuration (build) of the NSS.
15. The revised timetable presented to Cabinet Business Committee in December 2017 [CBC-18-MIN-0081 refers], is reliant on the Ministry's ability to draw down the contingency funding to purchase the development of the NSS. A funding delay will impact on the ability to implement the NBSP in Whanganui, MidCentral and subsequent DHB implementations. The go-live dates for these DHBs are reliant on the NSS being available from the end of March 2019.
16. On the basis of the design work completed to date there is minimal risk that Deloitte will not deliver a solution that is fit for purpose, however the Ministry will have the solution assessed by an independent third party sourced from the Government Chief Digital Officer (GCDO) assurance panel.
17. The discovery and solution design phase of the NSS is due to complete by mid-August 2018. Without a signed contract in place for the implementation and build phase, there is a risk that the Deloitte team will be disbanded and assigned to other projects: particularly the overseas experts with the resultant loss of knowledge to the NSS.

18. The fixed price for the design and configuration of the NSS provided by Deloitte as part of the procurement process expires on 31 October 2018. Without a contract in place for the implementation and build phase the Ministry will be subject to the risk of a cost escalation.

## Mitigations

19. One of the mitigations the Ministry now has available to it, is the lessons learnt from the independent review of the Bowel Screening Pilot, particularly around the development of a robust IT system to fully support the clinical requirements of the NBSP.
20. The December 2017 Cabinet paper also noted that the implementation of the NBSP is complex, and its delivery is being managed through a phased roll-out. The phased purchasing of IT enables the Ministry to support the national roll out.
21. The Ministry is ensuring that clinical and operational processes, quality assurance and safety monitoring are in place to support the five DHBs, and that participant safety and NBSP quality are not compromised.
22. The Ministry continues to engage with the Central Agencies, Gateway Reviews and other external assurance reviews to manage the overall NBSP implementation.

## Central Agencies consultation and response

23. The Central Agencies attended Better Business Case clinics and have had the opportunity to discuss and provide feedback on the NSS NBSP Business case, which informed the final version.
24. The Treasury, Government Chief Digital Office and New Zealand Government Procurement have reviewed the business case and consider the NBSP well-placed to proceed to develop the National Screening Solution.

## Financial Implications

25. The Ministry is seeking approval from the joint Ministers to draw down the \$13.969 million balance from the \$15.969 million tagged contingency for the NBSP established in Budget 2016 [CAB-16-MIN-0189.14 refers] to fund the development of the NSS.
26. In December 2017, the Ministry drew down \$2 million in capital, leaving \$13.969 million remaining. The Ministry is seeking \$13.969 million in Capital.
27. As outlined in the Business Case (page 55), in addition to the funding will be met from a call on the contingency funding referred to above, some transfers within existing Vote Health baseline will be required to meet ongoing operating costs. Given the nature of the NSS programme and greater clarity on where costs lie (both capital and operating and between Departmental output expenses (DE) and non-departmental output expenses (NDE) out year baselines), to ensure funding is correctly allocated some transfers between NDE and DE appropriations will be required as well as capital to operating swaps. These changes will be actioned as part of a future baseline update or a Budget processes (should changes be outside joint Ministerial delegations).

## Other actions

28. Subject to approval, the Ministry will prepare the business case and this Health Report for proactive release to the Ministry's website within six weeks of the Ministers' approval. In so doing, the Ministry will apply the provisions of the Official Information Act 1982.

END.