Health NZ Financial Reporting from FY 2023/24

Proactive Release

October 2024

Health New Zealand
Te Whatu Ora

Issue date: 8 October

Status: Current

Corporate author: Health New Zealand | Te Whatu Ora

Document date: Several documents (September 2023 - July 2024)

Type: Response to various OIA requests

Topic: Organisational information

Health NZ has elected to proactively release these documents (including financial reports, briefings, aide mémoires and letters) to provide additional transparency around matters related to Health NZ's financial performance.

These documents relate primarily to the 2023/24 financial year, dating between September 2023 and July 2024.

Further detail on Health NZ's 2023/24 performance (both financial and non-financial) can be found in published Quarterly Reports. Additional detail and commentary will also shortly be released in Health NZ's Annual Report.

Our financial performance during 2023/24 was impacted by a range of factors, including:

- Staff recruitment (both insourced and outsourced) being ahead of budget, combined with weak internal controls that did not arrest the growth early enough to ensure alignment between FTEs and budgets,

- significant one-off costs that landed in Quarter 4 (March-June 2024) and were not provisioned for during the year, further impacting the year-end result (those one-off costs included COVID-19 stock write offs and Holidays Act liability increases); and

- Crown funding not being not received before 30 June 2024 (and therefore not recognisable in the 2023/24 financial year), including $419million to reimburse payment of pay equity for allied health and midwives that was settled in October/November 2023.

Several measures were put in place during Quarter 4 to offset the expenditure trend, however total savings were insufficient to rebalance expenditure back to budget. These efforts continue into the 2024/25 year as part of Health NZ's reset.

Please note that Health NZ's 2023/24 year-end financial results are currently provisional and subject to audit.

Some information within these documents has been withheld under the following sections of the Official Information Act (the Act):

- 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons
- 9(2)(b)(ii) – to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
- 9(2)(f)(iv) – to maintain the orderly and effective conduct of executive government decision making processes
- 9(2)(g)(i) – to protect free and frank expression of relevant staff, ensuring they are able to convey their unguarded opinions in future, which is a core part of their role
- 9(2)(j) – to enable Health NZ to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

Where we have withheld information under section 9 of the Act, we have also considered any countervailing public interests in the release of this information. We do not believe that the public interests outweigh the need to withhold, in this instance.

Some information has also been withheld under section 18(d) as it is already publicly available. Where this is the case, links to the information have been provided.

There are also instances where we have chosen to provide an excerpt of a document under section 16(1)(e) of the Act. This has been utilised where large parts of a document would have been redacted as they did not contain financial information.

September 2023 Documents

Date	Title	Decision on release
4 September 2023	HNZ00029092-Aide Mémoire – *31 July 2023 Monthly Performance*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – Excerpt provided under section 16(1)(e) of the Act • Page 10, Te Pae Tata Priority 6 **Appendix 2** – released in full. **Appendix 3** – Withheld in full as out of scope. Document does not contain any financial information.
11 September 2023	Document – *Health System Reform Progress Report Q1 FY 2023/24*	Withheld in full under section 18(d) as is publicly available –Manatū Hauora proactively releases health reforms progress documents | Ministry of Health NZ

Te Whatu Ora
Health New Zealand

Aide-Mémoire

31 July 2023 Monthly Performance

To:	Hon Dr Ayesha Verrall, Minister of Health	**Reference:**	HNZ00029092
From:	Lisa Williams, Head of Strategy, Planning and Performance	**Due Date:**	4 September 2023
Copy to:		**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	**x**
Mussavir Syed	Principal Advisor, System Accountability & Performance	s 9(2)(a)	

Attachments	Appendix 1: Monthly Non-Financial Report - July 2023 **
	Appendix 2: July 2023 - Financial Report
	Appendix 3: Te Pae Tata Milestone Report *

*** N.B. Not in scope, no financial information**
**** N.B. Excerpt released under section 16(1)(e)**

Lisa Williams

Head of Strategy, Planning and Performance

Te Whatu Ora July 2023 Monthly Performance Report

Purpose

1. This Aide-Memoire presents:

    a. the Te Whatu Ora Monthly Performance report for the month ended 31 July 2023 (Appendix 1).
    b. a comprehensive financial performance report (Appendix 2).
    c. the Te Pae Tata milestones report for July 2023 (Appendix 3).

2. Copies of these reports have been provided to monitoring agencies - Manatū Hauora, Te Aka Whai Ora, and the Treasury.

Background

3. We have structured the monthly performance report using the six key priorities of Te Pae Tata and presented it in the form of a dashboard. Data has been reported as of 31 July, where available, but otherwise at the latest available date.

4. We will continue to develop the dashboard as part of our monthly performance re-design programme. This programme focuses on the automation of our reporting processes to enable informed decision-making by the Te Whatu Ora Board and Executive Leadership Team.

Te Whatu Ora Monthly Performance Report

5. Highlights:
    a. Activities against each of the six priority actions from Te Pae Tata with a focus on localities, workforce, commissioning, wait lists and financials.
    b. Te Pae Tata milestones aligned with each of the actions, with focus on the progress of each of the measures.

Feedback from Monitors

6. Te Aka Whai Ora receives Te Whatu Ora monthly performance reports after each Board meeting. Feedback received from Te Aka Whai Ora is noted and addressed by the next monthly performance report.

7. Regular performance meetings are organised between Te Whatu Ora and monitors, to enable open conversations on Te Whatu Ora performance and develop a strong relationship.

Communication

8. We will continue to respond to feedback received from our monitors and have regular meetings with our monitors on that feedback to ensure that our monthly performance reporting products are appropriately informative.

Te Whatu Ora
Health New Zealand

Te Pae Tata Priority 6 –

Establish Te Whatu Ora and Te Aka Whai Ora to support a financially sustainable system

[Please see Appendix 2 for full Financial Report]

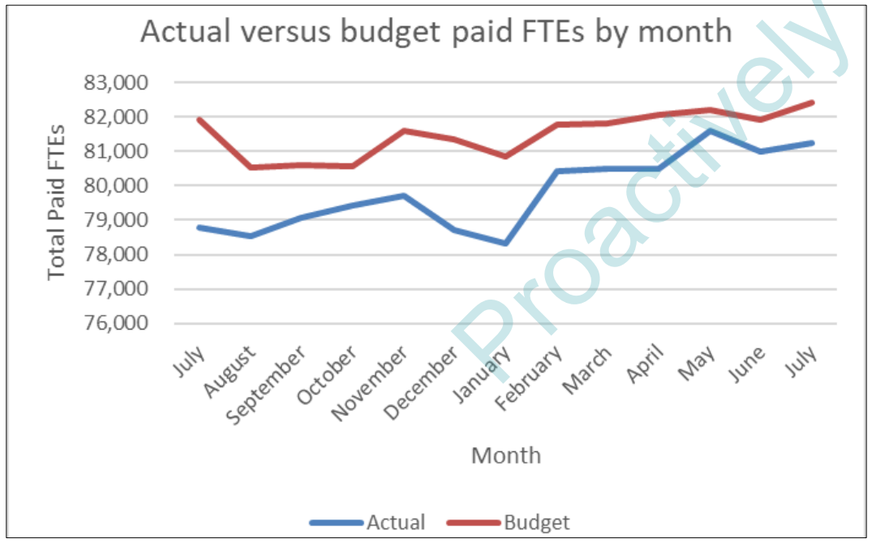
Key Points

- The operating result for the month is a $7m deficit and exactly on budget.
- The full year budget is breakeven and the small deficit for the month reflects a more even phasing of revenue versus greater variation in expenditure.
- Year-end forecast is as per the budget at this point in the year, detailed forecasting will be provided from September month and year to date onwards.
- A breakdown of savings against a target of $540m is included in the CE report. Savings have been phased reflecting the months in which they are expected to be achieved.
- Key trends over the thirteen months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. Nursing Sick leave and overtime costs remain high.
- Total Management and Administration costs are lower than they were for the same period last year - July 2022, reflecting change via unify to simplify and efficiencies. Management and Admin FTEs are also lower than last year actuals with actuals being 16,819 for August 2022 and now 15,867 for July 2023
- Closing cash for the month is $2.058Billion, excluding trusts.
- The July balance sheet is based on the unaudited year-end balance sheet for the 2023 year, revaluations of land and buildings are expected to result in an increase in the value of these assets.
- A report on Capital Expenditure for the twelve months to 30 June is included in this report.

Key issues, risks & work plan

- The two most significant financial risks faced by Te Whatu Ora in the current year remain the risk around Collective employment settlement agreements above budgeted and funded levels and inflationary pressures.
- Decision papers on subsidiaries and ineligible patient bad debt write-offs are on the Board agenda. There is also a paper on Drawing down the Budget 2022 Addressing Future Health System Cost Pressures contingency (2023/24), seeking agreement from the Ministerial Oversight Group on Health Reforms to draw down this contingency established at Budget 22.
- The 2022/23 year end audit is underway, major items being reviewed by the Auditors are treatment and write-off of COVID stock, revaluations, Holidays Act remediation payment provisions and accounting treatment for revenue and expense for the latest Nursing Pay Equity settlement.
- Preparation for Budget 24 is underway, work continues on the required financial annexe and building a long-term model based on the 2023 budget and rolling run rates.
- Roll out of the FPIM system continues. Mid Central went live on 1 August 2023 and Hawkes Bay is the next district to go live, this is scheduled for October.

Paid Full Time Equivalents – budget vs actual, YTD



Commentary

- Medical and Allied Health staff are under FTE budgets due to vacancies.
- Nursing FTE are over budget for the month reflecting filling of vacancies in some parts of the country, leave cover, safe staffing levels and overtime.
- Management and Admin personnel are below budget due to reform savings initiatives and holding vacancies. There is some offset in outsourced staff but still a net saving of $6m this month on the budget that has been lowered from the 2022/23 level.

Note: Internal Personnel are staff employed directly by Te Whatu Ora, outsourced personnel are people not directly employed who are paid via agencies and individual contracts.

4 September 2023

Te Whatu Ora
Health New Zealand

Monthly Finance Report

July 2023

Overview – Chief Financial Officer

Key Points

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The full year budget is breakeven and the small deficit for the month reflects a more even phasing of revenue versus greater variation in expenditure.

Year-end forecast is as per the budget at this point in the year, detailed forecasting will be provided from September month and year to date onwards.

A breakdown of savings against a target of $540m is included in the CE report. Savings have been phased reflecting the months in which they are expected to be achieved.

Key trends over the thirteen months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. Nursing Sick leave and overtime costs remain high.

Total Management and Administration costs are lower than they were for the same period last year - July 2022, reflecting change via unify to simplify and efficiencies. Management and Admin FTEs are also lower than last year actuals with actuals being 16,819 for August 2022 and now 15,867 for July 2023

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Preparation for Budget 24 is underway, work continues on the required financial annexe and building a long-term model based on the 2023 budget and rolling run rates.

Roll out of the FPIM system continues. Mid Central went live on 1 August 2023 and Hawkes Bay is the next district to go live, this is scheduled for October.

Cash Flows & Balance Sheet - July

Te Whatu Ora
Health New Zealand

Cash Flows From Operating Activities	($M)
Cash was provided from:	
Appropriations	1,645
Other Government	442
Receipts from Customers	41
Interest Received	18
	2,146
Cash was applied to:	
Payments to Employees	864
Payments to Hospital Suppliers	449
Payments to Community Providers	779
	2,092
Net Cash Flows from Operating Activities	**54**
Cash Flows From Investing Activities	
Cash was provided from:	
Equity Injections re Capital	143
Cash was applied to:	
Purchase of Property, Plant and Equipment	102
Net Cash Flows from Investing Activities	**41**
Net Cash Flows from All Activities	**95**
Cash at Beginning of Year	2,043
Cash at 31 July	**2,138**
Represented By	
BNZ Sweep account	2,056
Term Deposits	27
Districts' Trusts and Other Accounts	55
	2,138

Group Balance Sheet as at 31 July 2023	($M)
Current Assets	
Cash - BNZ Sweep	2,056
Cash - Trusts and Other Accounts	55
Term Deposits	27
Short Term Investments	31
Prepayments	128
Debtors	708
Inventory	362
	3,367
Current Liabilities	
Creditors	1,864
Income in Advance	74
GST Input/Output Adjustments	147
Payroll Accruals	638
Employee Entitlements	527
Annual Leave Accrued	3,356
	6,606
Net Working Capital	**(3,239)**

(Cont) Group Balance Sheet as at 31 July 2023	($M)
Non Current Assets	
Land	1,719
Buildings and Plant	9,020
Clinical Equipment	667
Other Equipment	144
Information Technology	199
Software	182
Motor Vehicles	22
Work in Progress	1,300
Investments in Subsidiaries and Associates	336
Long Term Investments	113
Other	6
	13,708
Non Current Liabilities	
Employee Entitlements - Non Current Portion	296
Term Loans	99
Restricted Trusts and Special Funds	49
Other	5
	449
Net Funds Employed	
Crown Equity	8,143
Capital Injections	153
Revaluation Reserve - Land	1,947
Revaluation Reserve - Buildings	5,198
Other	88
Retained Earnings	(5,509)
	10,020

Capital Reporting – 31 June

Te Whatu Ora
Health New Zealand

	2022/23 Capital Plan					2022/23 Full Year Actuals				Total Outyear Capex Budget			
Asset Category	Total Approved 2022/23 Capital Plan	New or Additional Capex Approved in 2022/23 post 1 July (not funded by substitution or contingency)	Substitutions	Contingency	Revised 2022/23 Capital Plan	Actual	Budget	Variance	Commit-ments	2023/24	2024/25	2025/26 & Beyond	Total Outyears
Clinical Equipment	344.2	12.9	(5.8)	25.4	376.8	197.3	349.5	152.2	67.9	92.5	3.9	3.1	99.5
Facilities	1,516.5	128.5	(16.2)	31.3	1,660.1	968.5	1,612.6	644.0	1,053.9	1,570.9	1,119.1	1,870.3	4,560.4
ICT (incl. Software)	409.8	8.2	(27.4)	(9.2)	381.4	144.1	402.6	258.5	56.9	127.6	29.9	1.6	159.1
Motor Vehicles	15.1	1.5	0.3	2.0	19.0	8.1	15.1	7.0	2.9	4.7	0.0		4.7
Other Equipment	18.9	1.0	(0.9)	1.9	20.9	9.9	19.3	9.4	2.4	5.4	0.0	0.2	5.6
Contingency / Pooled Funds	11.4	0.0	51.3	(50.1)	12.6	2.3	11.2	9.0	1.8	3.0	0.1		3.2
Grand Total	**2,316.0**	**152.2**	**1.4**	**1.2**	**2,470.8**	**1,330.2**	**2,410.3**	**1,080.0**	**1,185.7**	**1,804.1**	**1,153.2**	**1,875.1**	**4,832.4**

Commentary:

- Capital expenditure is forecast to be $1.08B below budget for the year ended 30 June 2023 with the biggest area of variance both size and percentage being in facilities

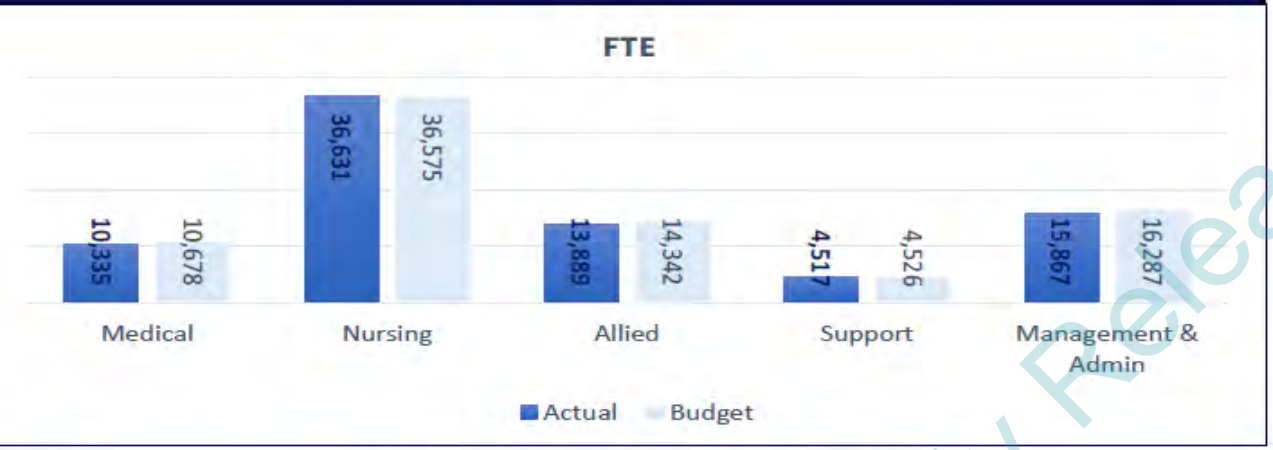
Te Whatu Ora
Health New Zealand

Finance Dashboard: July 2023

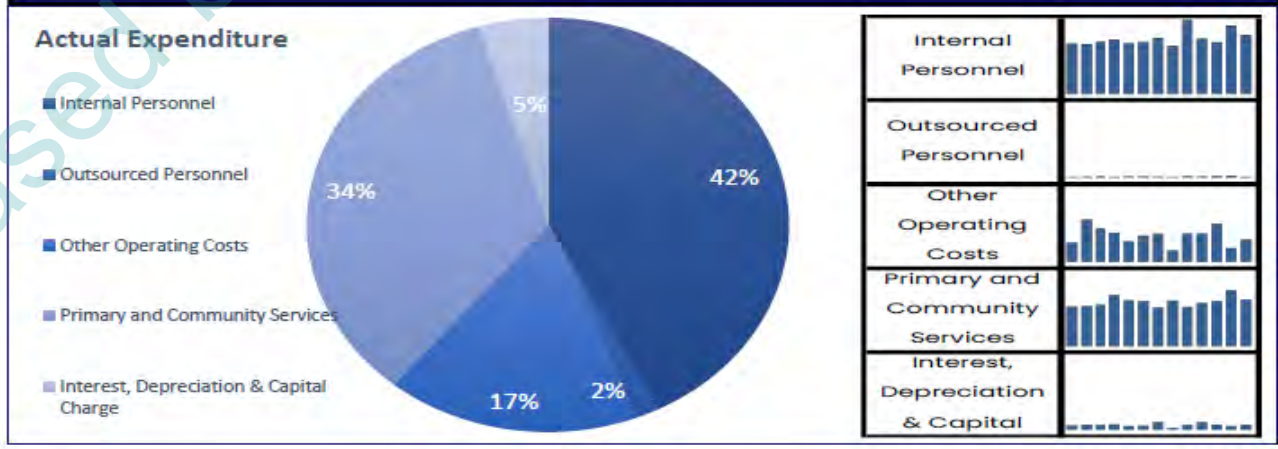
Result	Actual $m	Budget $m	Variance $m
Month	(7)	(7)	0
YTD	(7)	(7)	0

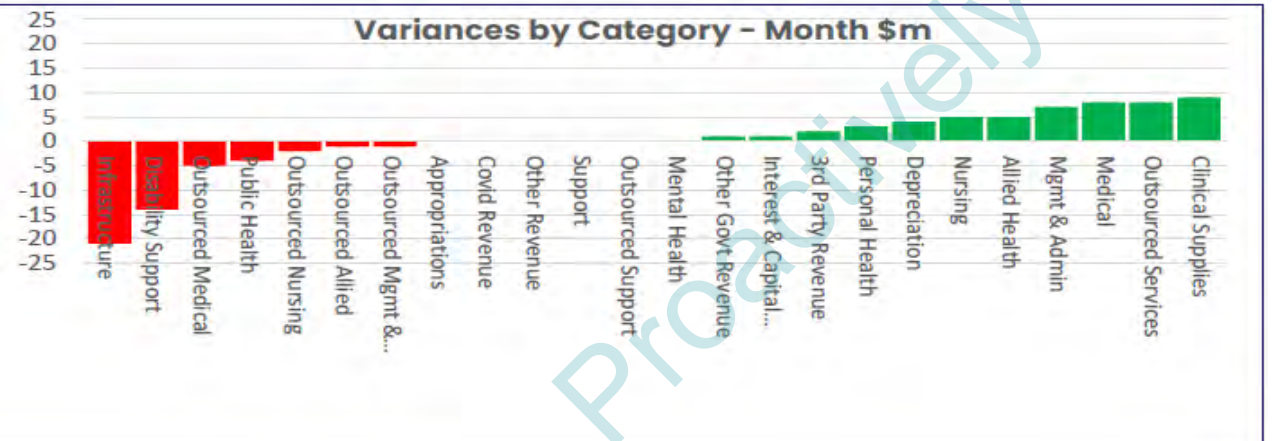
Staffing	Actual	Budget	Variance
FTE Month	81,239	82,408	1,169
$m Month	937	962	25

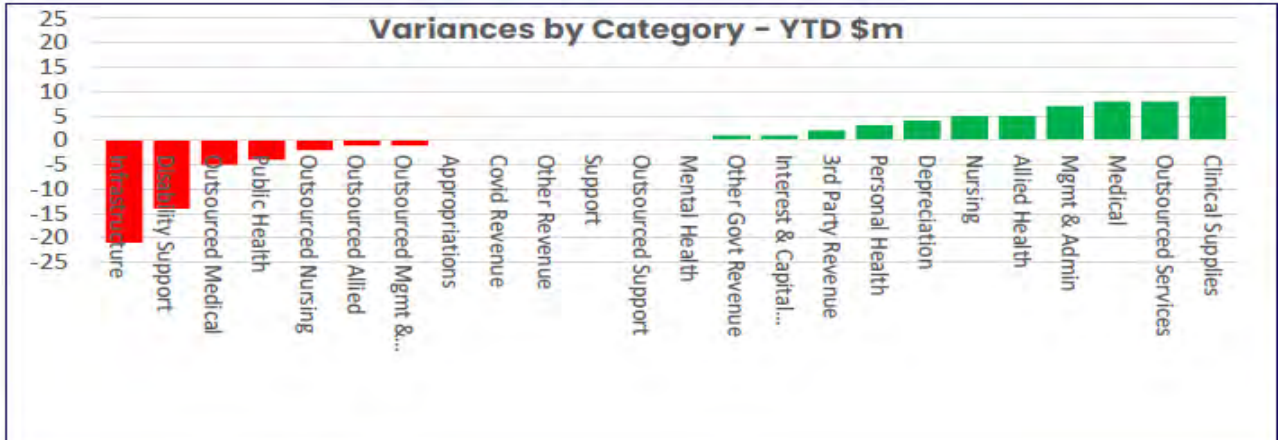
Month



YTD







Statement of Financial Performance

Te Whatu Ora
Health New Zealand

Total Group Result ($Millions)	July			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
Revenue								
Appropriations	1,943	1,943	(0)	1,943	1,943	(0)	2,019	23,239
Other Government Revenue	222	221	1	222	221	1	101	2,564
Third Party Revenue	7	5	1	7	5	1	8	72
Other Revenue	30	30	0	30	30	0	35	432
Total Revenue	**2,202**	**2,199**	**3**	**2,202**	**2,199**	**3**	**2,164**	**26,308**
Expenditure								
Internal Personnel								
Medical Personnel	254	262	8	254	262	8	222	3,096
Nursing Personnel	403	408	5	403	408	5	307	4,825
Allied Health Personnel	117	122	5	117	122	5	106	1,444
Support Personnel	30	30	0	30	30	0	26	354
Management & Admin Personnel	133	140	7	133	140	7	134	1,622
Total Internal Personnel	**937**	**962**	**25**	**937**	**962**	**25**	**796**	**11,340**
Outsourced Personnel								
Medical Personnel	15	10	(5)	15	10	(5)	12	117
Nursing Personnel	3	1	(3)	3	1	(3)	2	11
Allied Health Personnel	2	1	(1)	2	1	(1)	1	11
Support Personnel	1	1	(0)	1	1	(0)	1	7
Management & Admin Personnel	13	12	(1)	13	12	(1)	21	146
Total Outsourced Personnel	**35**	**25**	**(11)**	**35**	**25**	**(11)**	**38**	**291**

National Commentary – Consolidated Financials

<u>July Year to Date</u>
The YTD net operating result is on budget.

The key upsides are:
- Holding vacancies for back-office staff
- Vacancies in clinical staffing
- Clinical supply and outsourced service costs below budget
- Other small favourable variances

These are offset by
- An infrastructure overspend relating primarily to accounting for the Enable subsidiary, this results in an increase to the cost of goods sold expense code which will be offset by revenue in future months.
- Third party community Public Health costs are above budget due to timing differences.
- Community disability costs are overspent and these will be in part matched by future revenues.

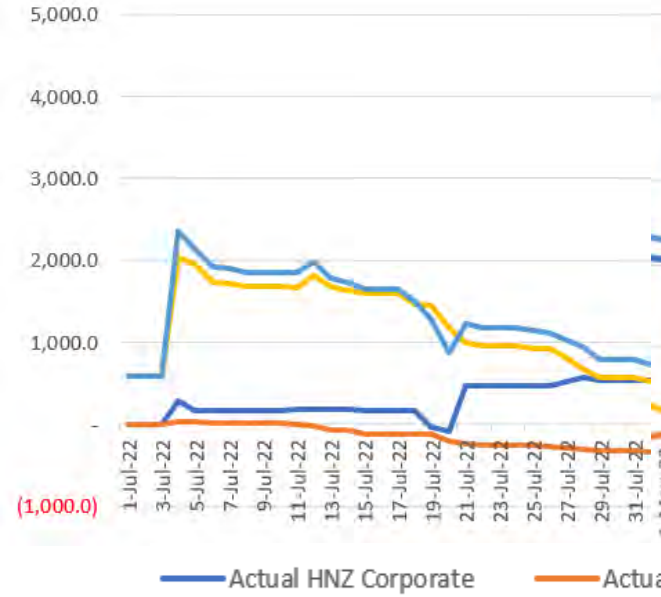
Statement of Financial Performance (cont)

Te Whatu Ora
Health New Zealand

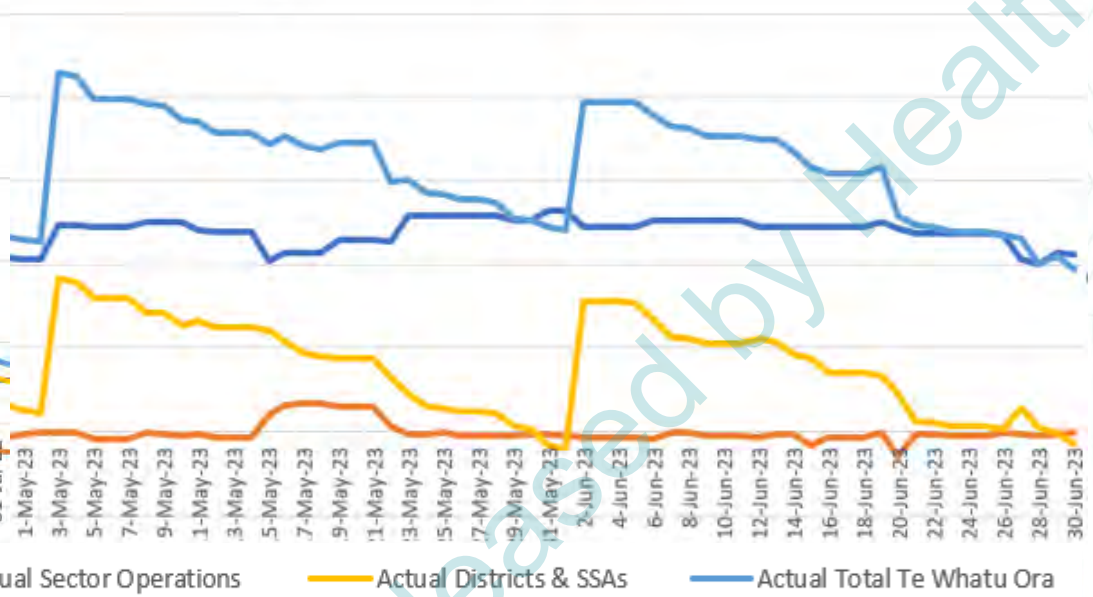
	July			Year to Date			YTD	Full Year
Total Group Result ($Millions)	**Total Actual**	**Total Budget**	**Variance**	**Total Actual**	**Total Budget**	**Variance**	**Last Year Actuals**	**Budget**
Other Operating Costs								
Outsourced Services	59	67	8	59	67	8	185	781
Clinical Supplies	171	180	9	171	180	9	342	2,135
Infrastructure & Non-Clinical Supplies	145	124	(21)	145	124	(21)	165	1,505
Total Other Operating costs	**375**	**370**	**(5)**	**375**	**370**	**(5)**	**691**	**4,422**
Primary and Community Services								
Personal Health	454	457	4	454	457	4	406	5,526
Mental Health	68	68	0	68	68	0	51	819
Disability Support Services	210	196	(15)	210	196	(15)	180	2,348
Public Health	27	23	(4)	27	23	(4)	17	277
Total Primary and Community Services	**759**	**744**	**(15)**	**759**	**744**	**(15)**	**653**	**8,970**
Interest, Depreciation & Capital Charge								
Depreciation	65	69	3	65	69	3	92	846
Interest & Capital Charge	36	37	1	36	37	1	11	440
Total Interets, Depreciation & Capital Charge	**101**	**105**	**4**	**101**	**105**	**4**	**103**	**1,286**
Total Expenditure	**2,209**	**2,206**	**(2)**	**2,209**	**2,206**	**(2)**	**2,281**	**26,308**
Net Surplus/(Deficit) from Operations	**(7)**	**(7)**	**0**	**(7)**	**(7)**	**0**	**(117)**	**0**

Cash Balances by account

July 2022



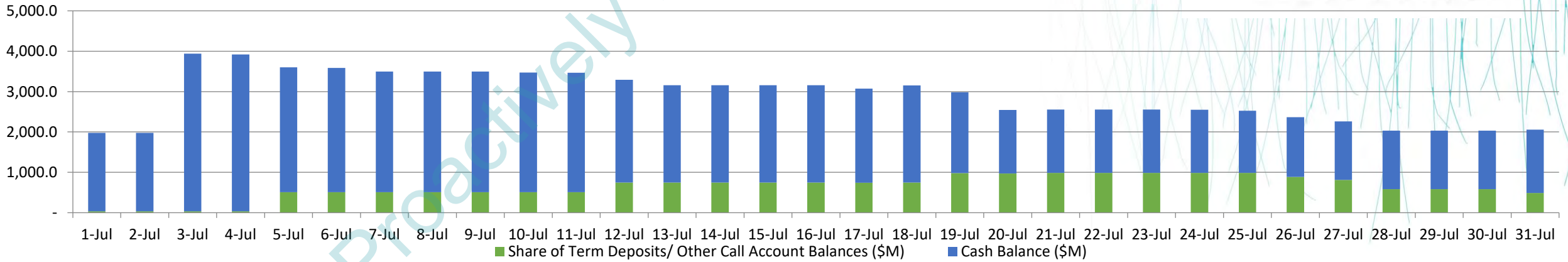
May 2023 June 2023



Actual HNZ Corporate — Actual Sector Operations — Actual Districts & SSAs — Actual Total Te Whatu Ora

July 2023

Te Whatu Ora Daily Cash Balances for July 2023



Paid Full Time Equivalents – budget vs actual, YTD

	July				Year to Date				Annual
	Total Actual	Total Budget	Variance		Total Actual	Total Budget	Variance		Budget
FTE									
Medical Personnel	10,335	10,678	343		10,335	10,678	343		10,958
Nursing Personnel	36,631	36,575	(56)		36,631	36,575	(56)		36,503
Allied Health Personnel	13,889	14,342	452		13,889	14,342	452		14,625
Support Personnel	4,517	4,526	9		4,517	4,526	9		4,476
Management & Admin Personnel	15,867	16,287	420		15,867	16,287	420		16,245
	81,239	**82,407**	**1,168**		**81,239**	**82,407**	**1,168**		**82,806**

Commentary:

Medical and Allied Health staff are under FTE budgets due to vacancies.

Nursing FTE are over budget for the month reflecting filling of vacancies in some parts of the country, leave cover, safe staffing levels and overtime.

Management and Admin personnel are below budget due to reform savings initiatives and holding vacancies. There is some offset in outsourced staff but still a net saving of $6m this month on the budget that has been lowered from the 2022/23 level.

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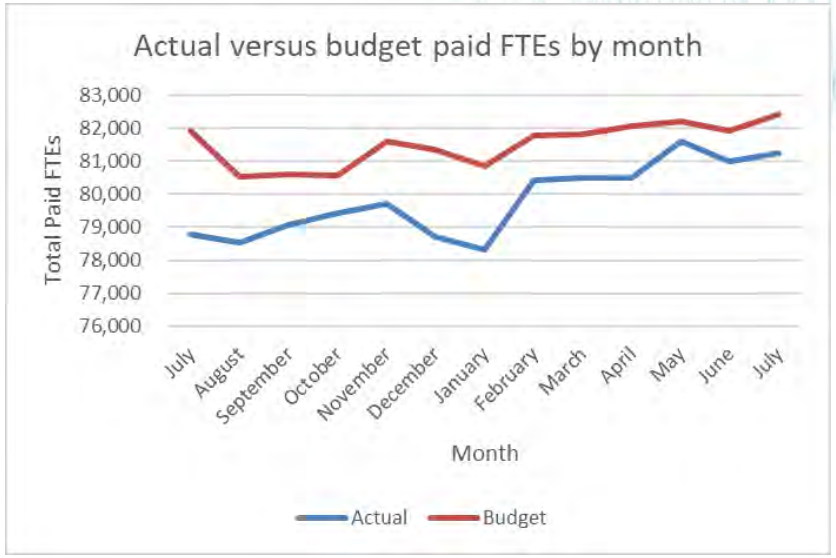

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N/A	*September 2023 Monthly Performance*	No briefing created or sent to Minister's Office as we were in Election/Caretaker Government Status.

Aide-Mémoire

31 Aug 2023 Monthly Performance

To:	Hon Dr Ayesha Verrall, Minister of Health	**Reference:**	HNZ00030609
From:	Lisa Williams, Head of Strategy, Planning and Performance	**Due Date:**	4 October 2023
Copy to:	-	**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	
Tracy Corbett	Principal Advisor, System Accountability & Performance	s 9(2)(a)	x

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**** N.B. Excerpt released under section 16(1)(e)**

Lisa Williams
Head Strategy, Planning and Performance,
Strategy, Planning and Performance
Te Whatu Ora - Health New Zealand

Te Whatu Ora August 2023 Monthly Performance Report

Purpose

1. This Aide-Mémoire presents:
    a. The Te Whatu Ora Monthly Performance report for the month ended 31 August 2023 (Appendix 1).
    b. A comprehensive financial performance report (Appendix 2).
    c. The Te Pae Tata milestones report for August 2023 (Appendix 3).
2. Copies of these reports have been provided to monitoring agencies - Manatū Hauora, Te Aka Whai Ora, and the Treasury.

Background / context

3. The monthly performance report is structured to align with the six key priorities of Te Pae Tata. Data have been reported as of 31 August, where available, but otherwise at the latest available date.

Discussion

Highlights

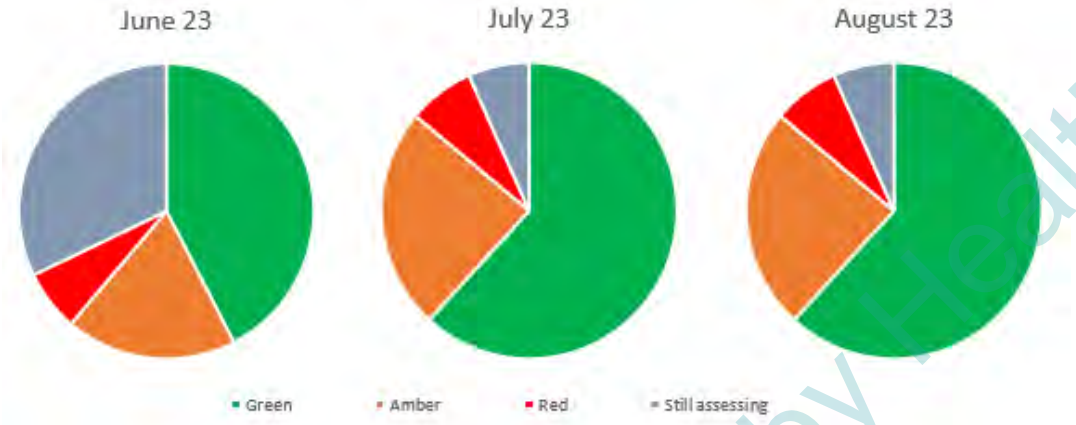
Te Pae Tata Priority 1 ***Placing whānau at the heart of the system to improve equity and outcomes***.	• **National Commissioning and all localities are collaborating on service developments responsive to local priorities. On track to be in place by Dec 2023.** • Best practice toolkits currently being developed to support the next tranche of localities.
Te Pae Tata Priority 2 ***Embed Te Tiriti o Waitangi across the health sector.***	• *This section continues to be under development. We are working on identifying insightful data.*
Te Pae Tata Priority 3 ***Develop an inclusive health workforce.***	• Workforce has included calculated vacancy data for Canterbury, West Coast and Bay of Plenty to address the Board's concern. • Aug Vacancy FTEs increased by 1082.2 • Sick leave rate has been trending upwards for the past three months. • Pressures observed for day shifts of nursing and health care assistants in the last week of August

Te Pae Tata Priority 4 ***Keep people well in their communities***	• GP - General practice demand is tracking to a typical seasonal pattern. Same observed for Māori, Pacific and Under 5s. Further capacity proxy data are being investigated with the business unit. • Acute demand: ED - attendances, admissions remained high hence driving poor SSED performance and ambulance handover delays for Aug. Patient flow - Length of stay >7 days increased. Waikato, Hawke's Bay, MidCentral, Hutt Valley & Wellington hospital >90% occupancy in Aug. • Planned care: Long waiters >365 days elimination programme on track for Dec 2023 due date.
Te Pae Tata Priority 5 ***Develop greater use of digital services to provide more care in homes and communities.***	• Transition programme & mobilisation programme underway to support the new D&D structure released. • Multi-year bid being developed for Budget 2024 includes: - digital modernisation of corporate functions - care innovation resource enablement - new digitally enabled models of care
Te Pae Tata Priority 6 ***Establish Te Whatu Ora and Te Aka Whai Ora to support a financially sustainable system***	• Aug operating result $5m deficit, under budget. • The full year budget is breakeven and the small deficit of the month and year to date reflects a more even phasing of revenue versus greater variation in expenditure.

Te Pae Tata

4. Below is a summary of the Te Pae Tata milestones update included in Appendix 3. Red status milestones have been included in a forward plan to be addressed and mitigated.
5. Please note that the number of milestones for each quarter might be different. The table below provides the number of milestones for the month of August.

	Q4	Q4 - update	Q4 - update
	Jun-23	Jul-23	Aug-23
Green	70	102	107
Amber	31	40	43
Red	11	12	13
Still assessing	53	11	2
	165	165	165



Feedback from Monitors

6. Te Aka Whai Ora receives Te Whatu Ora monthly performance reports after each Board meeting. Feedback received from Te Aka Whai Ora is noted and addressed by the next monthly performance report.
7. Regular performance meetings are organised between Te Whatu Ora and monitors, to enable open conversations on Te Whatu Ora performance and develop a strong relationship.

Appendix One – August Non Financial Report (4 October 2023)

Excerpt of page 1 released under section 16(1)(e) of the Act

Priority 6 Establish Te Whatu Ora and Te Aka Whai Ora to support a financially sustainable system
Aug operating result $5m deficit, under budget. The full year budget is breakeven and the small deficit of the month and year to date reflects a more even phasing of revenue versus greater variation in expenditure.

Te Whatu Ora
Health New Zealand

Monthly Finance Report

August 2023

Overview – Chief Financial Officer

Key Points

The operating result for the month is a $5m deficit, $2m favourable to budget.

The year to date result is a deficit of $12m, also $2m favourable to budget.

The full year budget is breakeven and the small deficit for the month and year to date reflects a more even phasing of revenue versus greater variation in expenditure.

Year-end forecast is as per the budget at this point in the year, detailed forecasting will be provided from September month and year to date onwards.

Planned savings remain largely on track after two months. Savings have been phased reflecting the months in which they are expected to be achieved.

Key trends over the 14 months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. These are offset by use of overtime, locum and external agency staff.

Total Management and Administration costs and FTEs are lower than they were for the same period last year - reflecting change via unify to simplify and efficiencies. There are circa 800 fewer employed management and admin FTEs than 12 months ago.

The overspend in outsourced management and admin is not compensating for the FTE reduction but relates to additional costs for funded initiatives, capital projects, COVID and business improvements.

Closing cash for the month is $1.953b, excluding trusts.

Capital project expenditure reviews are underway and a 2023/24 major capital plan will be presented for approval in October.

Key issues, risks & work plan

The two most significant financial risks faced by Te Whatu Ora in the current year remain the risk around Collective employment settlement agreements above budgeted and funded levels and inflationary pressures.

A first draft of financials to be included in the Annual Report for the year ended 30 June 2023 is on the Board agenda. s 9(2)(f)(iv)

The 2022/23 year end ordinary operating result was a small surplus of $5m. There are three major extraordinary or one off items separate to this result. These are write-off of COVID-19 stock, revaluations of land and buildings, and accounting treatment for revenue and expense for the latest Nursing Pay Equity settlement. Advice is currently being received on appropriate presentation of these in the Annual accounts and final annual report.

Preparation for Budget 24 is underway, work continues on the required financial annex and a long-term model based on the 2023 budget and rolling run rates has now been built.

Roll out of the FPIM system continues. MidCentral went live on 1 August 2023 and Hawke's Bay is the next district to go live, this is scheduled for October.

Cash Flows & Balance Sheet - August

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Cash Flows From Operating Activities	($M)
Cash was provided from:	
Appropriations	3,336
Other Government	786
Receipts from Customers	102
Interest Received	30
	4,254
Cash was applied to:	
Payments to Employees	1,823
Payments to Hospital Suppliers	862
Payments to Community Providers	1,536
	4,221
Net Cash Flows from Operating Activities	**33**
Cash Flows From Investing Activities	
Cash was provided from:	
Equity Injections re Capital	196
Cash was applied to:	
Purchase of Property, Plant and Equipment	229
Net Cash Flows from Investing Activities	**(33)**
Net Cash Flows from All Activities	**0**
Cash at Beginning of Year	2,043
Cash at 31 August	**2,043**
Represented By	
BNZ Sweep account	1,954
Term Deposits	27
Districts' Trusts and Other Accounts	62
	2,043

Group Balance Sheet as at 31 August 2023	($M)
Current Assets	
Cash - BNZ Sweep	1,954
Cash - Trusts and Other Accounts	62
Term Deposits	27
Short-Term Investments	31
Prepayments	172
Debtors	828
Inventory	377
	3,451
Current Liabilities	
Creditors	1,828
Income in Advance	75
GST Input/Output Adjustments	105
Payroll Accruals	547
Employee Entitlements	644
Annual Leave Accrued	3,506
	6,705
Net Working Capital	**(3,254)**

(Cont) Group Balance Sheet as at 31 August 2023	($M)
Non Current Assets	
Land	1,720
Buildings and Plant	8,986
Clinical Equipment	672
Other Equipment	143
Information Technology	197
Software	177
Motor Vehicles	22
Work in Progress	1,718
Investments in Subsidiaries and Associates	7
Long Term Investments	113
Other	6
	13,761
Non Current Liabilities	
Employee Entitlements - Non Current Portion	296
Term Loans	98
Restricted Trusts and Special Funds	78
Other	5
	477
Net Funds Employed	
Crown Equity	8,137
Capital Injections	208
Revaluation Reserve - Land	1,947
Revaluation Reserve - Buildings	5,198
Other	55
Retained Earnings	(5,515)
	10,030

Capital Reporting Update

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1. In the past two months work has been focussed on reviewing the 2022/23 full year capital plan and performance in order to understand the key drivers for under-performance, establish the carry forward capital plan (i.e., items not completed as planned) and to confirm Capital commitments (i.e. review of the previously advised out-year phased plan). The last two items form part of the 2023/24 Capital Plan, together with the new prioritised Capex for 2023/24.

2. Reviews have identified key drivers for below plan performance in 2022/23 ($1B) which include: delays in development and approval of business cases, impact of change processes on resourcing, approval processes (including a deliberate delay in Data and Digital (D&D) to ensure alignment with national D&D strategy), procurement processes, supply chain issues, resourcing issues in Facilities and D&D projects and to some extent Capex cashflow phasing forecasting issues.

3. All districts are now updating their actual performance against the carry forward Capex items and this will be reported in the Capital paper to be presented to the Finance and Audit Committee and the Board at their October 2023 meetings (October Capex paper).

4. The Capex reviews completed to date have also established:
    a. Projects completed to date from which some surplus funds have been identified (subject to final validation and will be included in the full Capex Plan report).
    b. Indicative 2022/23 Capex carry-forward plan, i.e., items previously phased in 2022/23 but not completed in the year and now expected to be completed in 2023/24 and/or outyears.
    c. Capex items previously phased into 2023/24 that represent true commitments (i.e., approved multi-year projects) to be implemented in 2023/24, as opposed to districts assuming use of their depreciation budget (as that would be double-dipping given the capital allocation process completed).
    d. There are still a few anomalies to resolve for some districts relating to completeness of funding substitutions across Capex projects, funding reserves assumed versus actual cash balances, validation of true commitments (i.e., approved projects with multi-year funding impacts), assumed use of depreciation budget at the local level, etc.

Capital Reporting Update

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5. The final position on all above items will be provided in the October Capex paper (on previous page).

6. Work has also been focussed on progressing the first stage of prioritisation of Capex needs to be funded from new cash from depreciation available in 2023/24.

   a. This involved confirming the funding available for Capex in 2023/24 (based on the final Operational Budget), allocating the funding to agreed capital pools, across asset portfolios and across districts to enable the initial prioritisations to be completed.
   b. Districts identified their local priorities and prioritised these against a Minor Capex pool (≤$500K items) and Major Capex pools (>$500K items), followed by regional Capex reviews and prioritisation processes carried out mainly for the Major Capex pool.
   c. The next stage is to apply a national lens to the regionally prioritised Capital Plans to ensure that risks have been addressed at a national level and capacity to deliver is also considered nationally including for procurement processes.
   d. We will seek endorsement from asset portfolio leads and ELT by 3 October and with the intention to present a detailed Capital Plan paper to the October Finance and Audit Committee Meeting and to the Full Board.
   e. As we have not yet finalised the full capital plan for 2023/24, we do not yet have the Capital report for July-August.

7. On completion of the 2023/24 Capex Plan, work will commence to establish a medium to long-term prioritised capital intentions plan that will enable optimisation of procurement processes, lead in times for business cases development and opportunities to bring Capex projects forward when timing and cashflow phasing allows. This will also ensure that there is a fully approved plan by 1 July each year that can be reported against.

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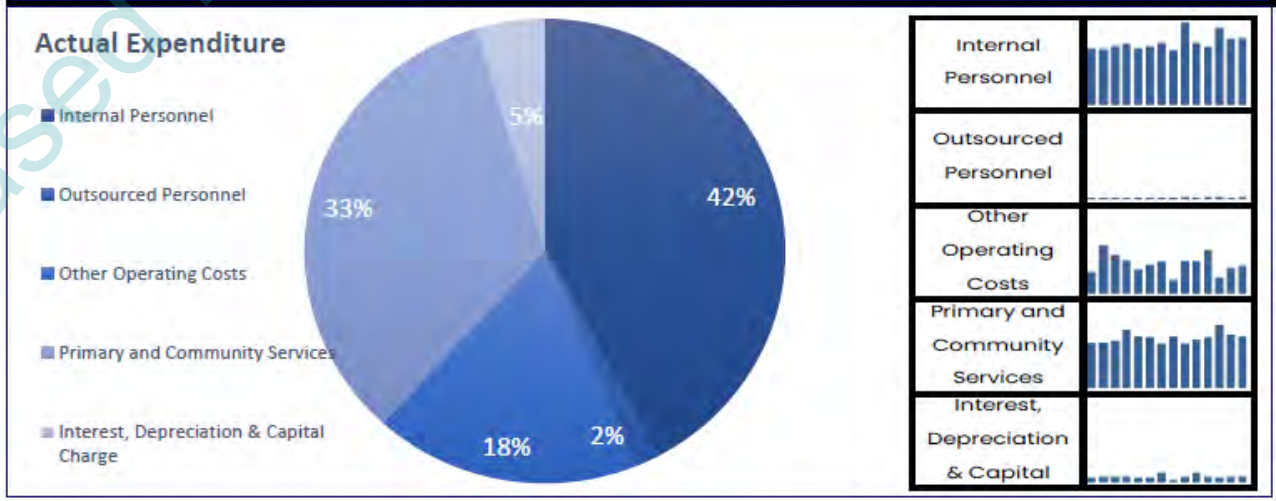
Finance Dashboard: August 2023

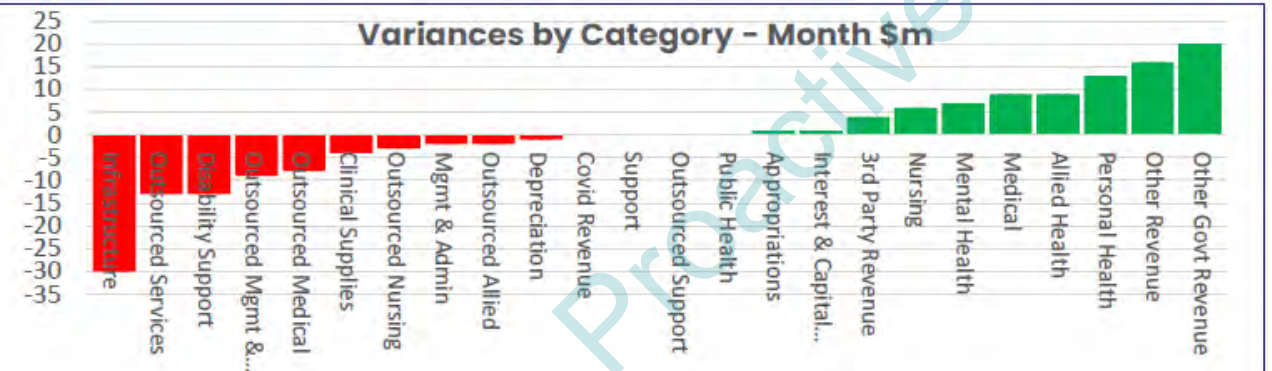
Result	Actual $m	Budget $m	Variance $m
Month	(5)	(7)	2
YTD	(12)	(14)	2

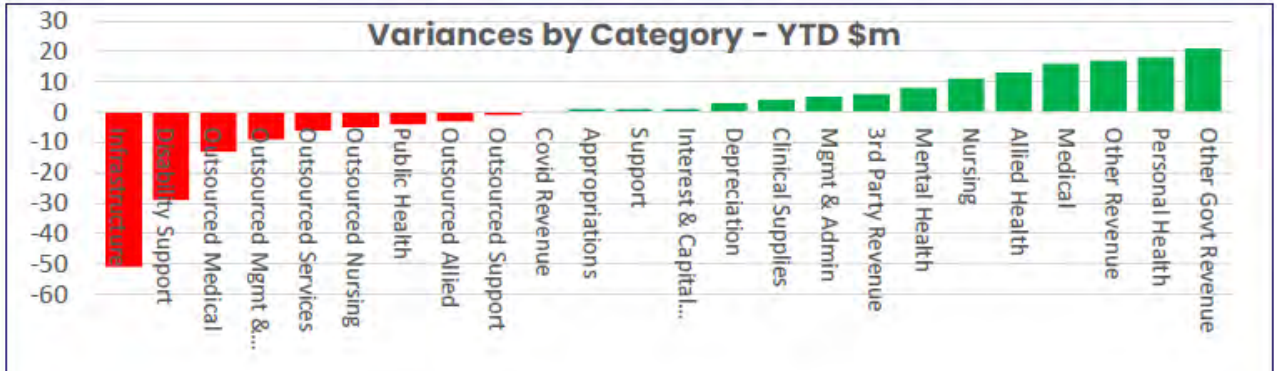
Staffing	Actual	Budget	Variance
FTE Month	81,321	82,480	1,160
$m Month	940	962	22

Month

YTD







Statement of Financial Performance

Te Whatu Ora
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Total Group Result ($Millions)	August			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
Revenue								
Appropriations	1,944	1,943	1	3,887	3,886	1	3,779	23,239
Other Government Revenue	241	221	20	463	442	21	470	2,564
Third Party Revenue	9	5	4	16	10	5	18	72
Other Revenue	46	30	16	77	60	17	78	432
Total Revenue	**2,240**	**2,199**	**41**	**4,442**	**4,398**	**43**	**4,346**	**26,308**
Expenditure								
Internal Personnel								
Medical Personnel	253	262	9	508	524	16	462	3,096
Nursing Personnel	402	408	6	804	815	11	638	4,825
Allied Health Personnel	113	122	9	231	244	14	231	1,444
Support Personnel	30	30	0	59	60	1	56	354
Management & Admin Personnel	142	140	(2)	275	280	5	289	1,622
Total Internal Personnel	**940**	**962**	**23**	**1,877**	**1,924**	**47**	**1,676**	**11,340**
Outsourced Personnel								
Medical Personnel	18	10	(8)	33	20	(13)	27	117
Nursing Personnel	4	1	(3)	7	2	(5)	5	11
Allied Health Personnel	3	1	(2)	5	2	(3)	3	11
Support Personnel	1	1	(1)	2	1	(1)	2	7
Management & Admin Personnel	21	12	(9)	34	25	(10)	49	146
Total Outsourced Personnel	**46**	**25**	**(22)**	**81**	**49**	**(32)**	**87**	**291**

National Commentary – Consolidated Financials

<u>August Month and Year to Date</u>
The YTD net operating result is $2m favourable to budget.

The key upsides are:

- Vacancies in staffing
- Clinical supply and outsourced service costs below budget
- Revenue relating to Enable subsidiary
- Other small favourable variances

These are offset by

- Infrastructure and disability community contracts overspend relating primarily to accounting for the Enable subsidiary, this results in an increase to the cost of goods sold expense code which is offset by revenue.
- Third party community Public Health costs above budget due to timing differences.
- Outsourced staffing and outsourced clinical services

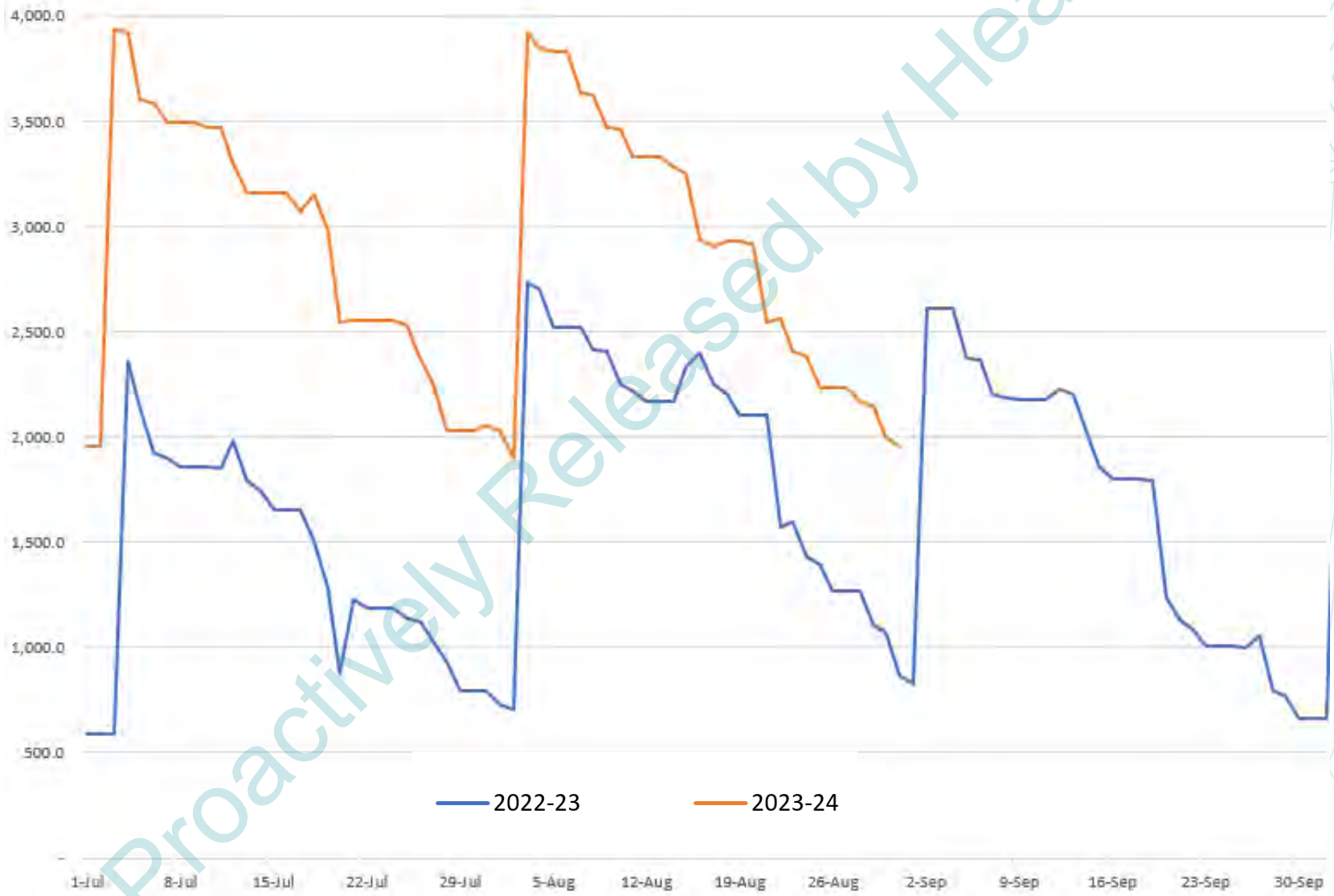
Statement of Financial Performance (cont)

Te Whatu Ora
Health New Zealand

	August			Year to Date			YTD	Full Year
Total Group Result ($Millions)	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
Other Operating Costs								
Outsourced Services	80	67	(13)	139	133	(6)	363	781
Clinical Supplies	184	180	(4)	355	359	4	600	2,135
Infrastructure & Non-Clinical Supplies	154	124	(30)	299	248	(51)	276	1,505
Total Other Operating costs	**418**	**370**	**(47)**	**793**	**740**	**(52)**	**1,238**	**4,422**
Primary and Community Services								
Personal Health	444	457	14	897	915	17	835	5,526
Mental Health	61	68	7	129	137	7	104	819
Disability Support Services	209	196	(14)	420	391	(29)	38	2,348
Public Health	23	23	(1)	50	46	(5)	359	277
Total Primary and Community Services	**737**	**744**	**7**	**1,497**	**1,488**	**(9)**	**1,335**	**8,970**
Interest, Depreciation & Capital Charge								
Depreciation	69	68	(0)	134	137	3	119	846
Interest & Capital Charge	36	37	1	72	73	2	85	440
Total Interest, Depreciation & Capital Charge	**104**	**105**	**1**	**206**	**210**	**5**	**204**	**1,286**
Total Expenditure	**2,245**	**2,206**	**(39)**	**4,453**	**4,412**	**(41)**	**4,540**	**26,308**
Net Surplus/(Deficit) from Operations	**(5)**	**(7)**	**2**	**(12)**	**(14)**	**2**	**(195)**	**0**

Cash Balances

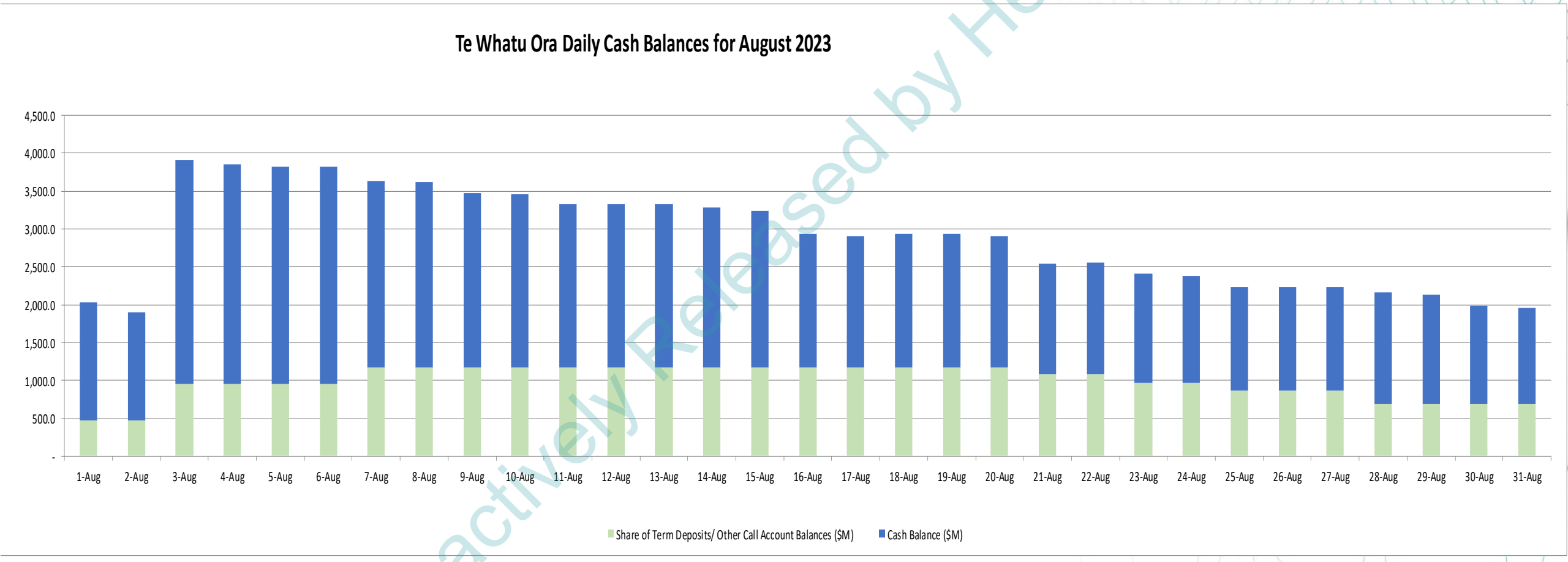
July **August** September



Te Whatu Ora Daily Cash Balances for August 2023

Balance at 31/08/2023 $1953.8m

Date	1-Aug	2-Aug	3-Aug	4-Aug	5-Aug	6-Aug	7-Aug	8-Aug	9-Aug	10-Aug	11-Aug	12-Aug	13-Aug	14-Aug	15-Aug	16-Aug	17-Aug	18-Aug	19-Aug	20-Aug	21-Aug	22-Aug	23-Aug	24-Aug	25-Aug	26-Aug	27-Aug	28-Aug	29-Aug	30-Aug	31-Aug
Cash Balance ($M)	1,557.4	1,423.0	2,960.2	2,890.0	2,870.8	2,870.8	2,461.7	2,449.6	2,299.2	2,289.8	2,160.8	2,161.1	2,161.1	2,109.6	2,073.1	1,769.8	1,739.6	1,759.8	1,759.9	1,742.7	1,457.4	1,482.6	1,443.7	1,414.0	1,367.6	1,367.7	1,367.8	1,472.9	1,448.6	1,302.3	1,261.2
Share of Term Deposits/ Other Call Account Balances ($M)	473.9	472.4	958.1	958.8	958.6	958.6	1,174.9	1,174.9	1,173.9	1,174.2	1,173.6	1,173.6	1,173.6	1,174.0	1,174.1	1,169.7	1,169.4	1,170.2	1,170.2	1,169.9	1,087.3	1,080.5	964.0	964.1	870.5	870.5	870.5	693.8	693.2	692.4	692.6
Te Whatu Ora Total Treasury Balance ($M)	2,031.4	1,895.4	3,918.3	3,848.8	3,829.4	3,829.4	3,636.6	3,624.5	3,473.1	3,464.0	3,334.5	3,334.7	3,334.8	3,283.7	3,247.2	2,939.5	2,909.0	2,930.0	2,930.1	2,912.6	2,544.7	2,563.1	2,407.7	2,378.1	2,238.1	2,238.2	2,238.3	2,166.6	2,141.7	1,994.6	1,953.8



Comments:

- Te Whatu Ora treasury balance of $1.95bn at 31 Aug 2023 is less than $2.05 bn at 31 July 2023.
- Short-term deposits amounting to $0.73bn maturing within three months are included in the above cash balance. Te Whatu Ora's proporation of term deposit is $0.69bn.

Paid Full Time Equivalents – budget vs actual, YTD

	August				Year to Date			YTD	Annual
	Total Actual	Total Budget	Variance		Total Actual	Total Budget	Variance	Last Year Actuals	Budget
FTE									
Medical Personnel	10,633	10,729	96		10,484	10,704	220	10,182	10,958
Nursing Personnel	36,130	36,562	431		36,381	36,568	187	33,785	36,503
Allied Health Personnel	14,098	14,394	296		13,994	14,368	374	13,804	14,625
Support Personnel	4,457	4,517	60		4,487	4,521	35	4,294	4,476
Management & Admin Personnel	16,002	16,279	277		15,950	16,283	333	16,779	16,245
	81,321	**82,480**	**1,160**		**81,296**	**82,444**	**1,149**	**78,844**	**82,806**

Commentary:

Medical, nursing and Allied Health staff are under FTE budgets due to vacancies.

Nursing FTE are over budget for the month reflecting filling of vacancies in some parts of the country, leave cover, safe staffing levels and overtime.

Management and Admin personnel are below budget due to reform savings initiatives and holding vacancies.

Note that all clinical staffing categories have higher actual paid FTEs than for the same period 12 months ago and management and admin FTEs are lower.

Note: Internal Personnel are staff employed directly by Te Whatu Ora, outsourced personnel are people not directly employed who are paid via agencies and individual contracts.

Te Whatu Ora
Health New Zealand

Expenditure by Function: August 2023

	Month - Expenditure $m			Year To Date - Expenditure $m			YTD
Function	**Actual**	**Budget**	**Variance**	**YTD Actual**	**YTD Budget**	**Variance**	**FTE**
Commissioning	728	751	23	1,484	1,502	18	*678*
Data & Digital	62	74	12	119	149	29	*1,945*
Finance	(2)	25	27	44	49	5	*924*
Hospital & Specialist Services	1,235	1,169	(65)	2,410	2,347	(62)	*72,141*
Infrastructure & Investment	69	61	(9)	129	111	(18)	*741*
Internal Audit & Assurance	1	1	0	2	2	0	*73*
National Public Health Service	22	38	15	56	75	19	*1,300*
Office of the CE & Governance	11	6	(5)	20	12	(8)	*197*
Pacific Health	5	5	(1)	8	9	2	*91*
People & Culture	27	31	4	50	61	11	*1,464*
Service Improvement & Innovation	8	9	1	16	20	3	*569*
Others	80	36	(44)	116	73	(43)	*1,196*
Total	**2,246**	**2,206**	**(40)**	**4,453**	**4,412**	**(41)**	***81,321***

This report represents a functional view of Te Whatu Ora expenditure and performance against budget. The largest negative variance in this report within Hospital & Specialist Services is not of concern, this represents accrual provisions only, and Others, which includes expenditure relating to a subsidiary entity that is matched by revenue (reflecting the accounting treatment rather than a variance). FTE is less reliable at functional level than expenditure is, with some alignment required to ensure it is recorded accurately against the correct function. For this reason FTE should be considered indicative, albeit one that represents a milestone in achieving data completedness.

November 2023 Documents

Date	Title	Decision on release
24 November 2023	*October 2023 Monthly Finance Report*	Released in full.
27 November 2023	Document – *Briefing to the Incoming Minister*	Withheld in full under section 18(d) as is publicly available – Briefing to the incoming Minister – Health New Zealand | Te Whatu Ora

Te Whatu Ora
Health New Zealand

Monthly Finance Report

October 2023

Overview – Chief Financial Officer

Key Points

The operating result for the month is a $2m surplus, $17m favourable to budget. The year to date result is a surplus of $12m, $19m favourable to budget.

Closing cash for Te Whatu Ora at the end of October was $1.467b, excluding trusts.

Year-end forecast is as per the budget at this point in the year, detailed forecasting will be provided in reports from January month-end.

Planned savings remain largely on track after four months, year to date savings of $108.88m have been achieved. Savings have been phased reflecting the months in which they are expected to be achieved, the full annual savings target is $540m.

Key trends over the 16 months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. These are offset by use of overtime, locum and external agency staff.

Key issues, risks & work plan

The two most significant financial risks faced by Te Whatu Ora in the current year remain the risk around Collective employment settlement agreements above budgeted and funded levels and inflationary pressures.

Audit of Te Whatu Ora for 2022/23 is now complete and the Board approved Annual Report (including Financial statements) has been signed off by Audit NZ. The Board has also approved the full Capital Plan for 2023/24 which is now under implementation.

Preparation for Budget 24 continues, for Budget 2024 we need to demonstrate our capability to plan and provision over a multi-year period as a shift is made from annual operational funding to three-year settlements. To support this, we have developed a five-year financial forecast and scenario model.

Roll out of the FPIM system continues. Nelson Marlborough successfully went live on 1 November 2023 and the Health Promotion Agency will be next to go live.

Cash Flows & Balance Sheet - October

Te Whatu Ora
Health New Zealand

Cash Flows From Operating Activities	($M)
Cash was provided from:	
Appropriations	6,734
Other Government	1,426
Receipts from Customers	154
Interest Received	52
	8,366
Cash was applied to:	
Payments to Employees	3,923
Payments to Hospital Suppliers	1,805
Payments to Community Providers	3,132
	8,860
Net Cash Flows from Operating Activities	**(494)**
Cash Flows From Investing Activities	
Cash was provided from:	
Equity Injections re Capital	392
Cash was applied to:	
Purchase of Property, Plant and Equipment	468
Net Cash Flows from Investing Activities	**(76)**
Net Cash Flows from All Activities	**(570)**
Cash at Beginning of Year	2,043
Cash at 31 October	**1,473**
Represented By	
BNZ Sweep account	1,385
Term Deposits	27
Districts' Trusts and Other Accounts	61
	1,473

Group Balance Sheet as at 31 October 2023	($M)
Current Assets	
Cash - BNZ Sweep	1,385
Cash - Trusts and Other Accounts	61
Term Deposits	27
Short-Term Investments	31
Prepayments	284
Debtors	1,244
Inventory	386
	3,418
Current Liabilities	
Creditors	2,705
Income in Advance	74
GST Input/Output Adjustments	96
Payroll Accruals	505
Employee Entitlements	684
Annual Leave Accrued	3,131
	7,195
Net Working Capital	**(3,777)**

(Cont) Group Balance Sheet as at 31 October 2023	($M)
Non Current Assets	
Land	1,720
Buildings and Plant	8,909
Clinical Equipment	669
Other Equipment	140
Information Technology	100
Software	263
Motor Vehicles	22
Work in Progress	1,945
Investments in Subsidiaries and Associates	3
Long Term Investments	114
Other	5
	13,890
Non Current Liabilities	
Employee Entitlements - Non Current Portion	297
Term Loans	97
Restricted Trusts and Special Funds	95
Other	5
	494
Net Funds Employed	
Crown Equity	8,545
Capital Injections	392
Revaluation Reserve - Land	1,637
Revaluation Reserve - Buildings	5,537
Other	4
Retained Earnings	(6,496)
	9,619

Te Whatu Ora
Health New Zealand

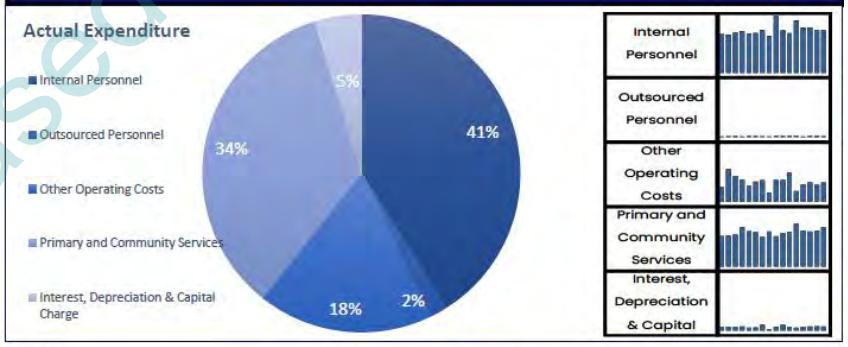
Finance Dashboard: October 2023

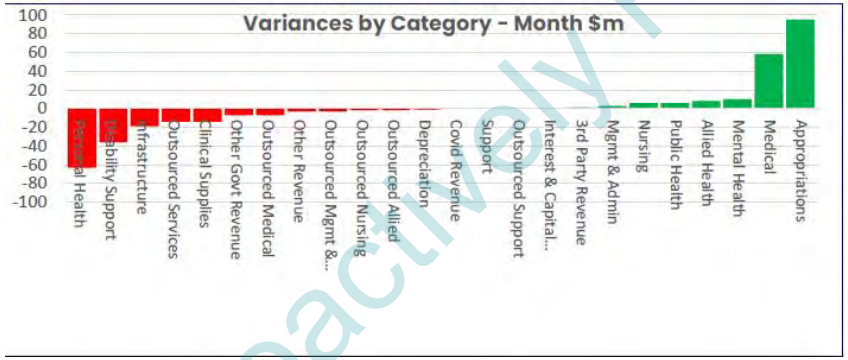
Result	Actual $m	Budget $m	Variance $m
Month	2	(15)	17
YTD	12	(8)	19

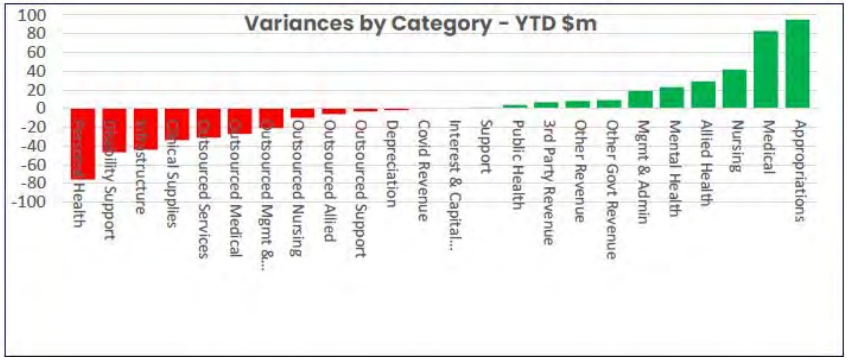
Staffing	Actual	Budget	Variance
FTE Month	82,254	82,625	371
$m Month	887	962	75

Month

YTD







Statement of Financial Performance

Te Whatu Ora
Health New Zealand

Total Group Result ($Millions)	Month			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
Revenue								
Appropriations	2,030	1,935	95	7,850	7,755	95	7,954	23,239
Other Government Revenue	207	214	(7)	860	851	8	806	2,564
Third Party Revenue	7	6	2	30	23	8	23	72
Other Revenue	34	37	(3)	159	151	8	123	432
Total Revenue	**2,278**	**2,191**	**87**	**8,899**	**8,780**	**119**	**8,906**	**26,308**
Expenditure								
Internal Personnel								
Medical Personnel	204	262	59	957	1,040	83	910	3,096
Nursing Personnel	402	408	6	1,579	1,621	42	1,268	4,825
Allied Health Personnel	114	122	8	456	485	30	445	1,444
Support Personnel	30	30	(0)	118	119	1	112	354
Management & Admin Personnel	137	140	3	537	556	19	569	1,622
Total Internal Personnel	**887**	**962**	**76**	**3,646**	**3,821**	**175**	**3,304**	**11,340**
Outsourced Personnel								
Medical Personnel	17	10	(7)	66	39	(27)	54	117
Nursing Personnel	3	1	(2)	14	4	(11)	10	11
Allied Health Personnel	3	1	(2)	10	4	(7)	6	11
Support Personnel	1	1	(1)	5	2	(3)	4	7
Management & Admin Personnel	15	12	(2)	70	49	(21)	80	146
Total Outsourced Personnel	**39**	**25**	**(14)**	**166**	**98**	**(68)**	**154**	**291**

National Commentary – Consolidated Financials

<u>October Month and Year to Date</u>
The YTD net operating result is $19m favourable to budget.

Key upsides for the month and year to date are staffing costs due to vacancies, and revenue relating to pharmacy co-payment removal and pay disparity.

Overspends for the month and year to date relate to

- Clinical supply cost increases above budgeted inflationary levels,
- infrastructure costs relating primarily to the enable subsidiary and
- community contracts for pay disparity expenditure and pharmacy co payment removal (both offset by revenue).

Statement of Financial Performance (cont)

Te Whatu Ora
Health New Zealand

	Month			Year to Date			YTD	Full Year
Total Group Result ($Millions)	**Total Actual**	**Total Budget**	**Variance**	**Total Actual**	**Total Budget**	**Variance**	**Last Year Actuals**	**Budget**
Other Operating Costs								
Outsourced Services	81	67	(14)	295	264	(31)	540	781
Clinical Supplies	194	180	(15)	747	713	(34)	951	2,135
Infrastructure & Non-Clinical Supplies	143	124	(19)	539	495	(44)	570	1,505
Total Other Operating costs	**418**	**370**	**(48)**	**1,582**	**1,472**	**(109)**	**2,060**	**4,422**
Primary and Community Services								
Personal Health	520	457	(63)	1,905	1,829	(76)	1,795	5,526
Mental Health	58	68	10	250	273	23	205	819
Disability Support Services	232	196	(37)	830	783	(47)	753	2,348
Public Health	17	23	6	87	91	4	233	277
Total Primary and Community Services	**827**	**744**	**(83)**	**3,072**	**2,976**	**(96)**	**2,986**	**8,970**
Interest, Depreciation & Capital Charge								
Depreciation	69	68	(1)	276	274	(2)	247	846
Interest & Capital Charge	37	37	0	147	147	0	141	440
Total Interest, Depreciation & Capital Charge	**106**	**105**	**(1)**	**423**	**420**	**(2)**	**387**	**1,286**
Total Expenditure	**2,276**	**2,206**	**(70)**	**8,888**	**8,787**	**(100)**	**8,891**	**26,308**
Net Surplus/(Deficit) from Operations	**2**	**(15)**	**17**	**12**	**(8)**	**19**	**15**	**0**

2023/24 Capital Expenditure (Capex) Report

The Capex report provided below cover the 3 month period to 30 September 2023. The Capex included is from the Capital Plan established in 2022/23 and includes carry forwards (items that were in the 2022/23 budget that were not able to be completed during the year) plus items that were already phased into 2023/24. A new capital plan has been developed including prioritised items for new funding available in 2023/24 and this is an agenda item at this Board meeting. A report including the full Capex plan will commence in December based on the YTD October period.

Table 1: Carry Forward Capex Report (by asset class) for the three months ended 30 September 2023:

in $M

Asset Category	YTD Spend	YTD Phased Budget	Variance	% Spend	Var to budget %	Commitments
Clinical Equipment	50.23	64.26	14.02	78%	22%	62.55
Facilities	246	351.23	105.66	70%	30%	880.12
ICT (incl. Software)	29.33	53.96	24.63	54%	46%	31.91
Motor Vehicles	1.42	1.73	0.31	82%	18%	0.53
Other Equipment	2.34	3.22	0.88	73%	27%	1.80
Contingency / Pooled Funds	1.71	3.26	1.55	53%	47%	0.66
Total	**330.60**	**477.66**	**147.05**	**69%**	**31%**	**977.59**

2023/24 Capital Expenditure (Capex) Report (cont)

Table 2: **Carry Forward Capex Report (by asset class) for the three months ended 30 September 2023:**

in $M

Region	District	YTD Spend	YTD Phased Budget	Variance	% Spend	Var to budget %	Commitments
Northern	Te Tai Tokerau	9.52	10.99	1.47	87%	13%	
	Waitematā	58.20	64.17	5.97	91%	9%	212.15
	Te Toka Tumai Auckland	48.75	76.11	27.36	64%	36%	233.31
	Counties Manukau	28.90	33.78	4.89	86%	14%	219.67
Northern Total		**145.37**	**185.06**	**39.69**	**79%**	**21%**	665.12
Te Manawa Taki	Waikato	10.68	50.26	39.58	21%	79%	19.86
	Hauora a Toi Bay of Plenty	4.17	4.26	0.10	98%	2%	7.20
	Lakes	4.03	5.50	1.47	73%	27%	4.98
	Tairāwhiti	0.44	6.28	5.83	7%	93%	
	Taranaki	32.20	37.05	4.85	87%	13%	171.54
Te Manawa Taki Total		**51.51**	**103.35**	**51.83**	**50%**	**50%**	203.58
Central	Te Matau a Maui Hawkes bay	2.38	5.19	2.80	46%	54%	10.79
	Whanganui	3.28	2.38	(0.90)	138%	-38%	
	Te Pae Hauora o Ruahine o Tararua Midcentral	9.71	33.68	23.96	29%	71%	17.27
	Wairarapa	0.06	0.17	0.11	33%	67%	
	Hutt Valley	5.08	6.15	1.07	83%	17%	
	Capital & Coast	18.12	18.58	0.46	98%	2%	
	Central Region TAS						
Central Total		**38.63**	**66.15**	**27.51**	**58%**	**42%**	28.06
Te Waipounamu	Te Tauihu Nelson Marlborough	2.71	6.68	3.96	41%	59%	10.86
	Te Tai o Poutini West Coast	1.20	1.71	0.51	70%	30%	
	Waitaha Canterbury	19.27	19.21	(0.06)	100%	0%	28.43
	South Canterbury	1.15	1.37	0.22	84%	16%	
	Southern	5.25	6.76	1.50	78%	22%	10.20
Te Waipounamu Total		**29.59**	**35.72**	**6.13**	**83%**	**17%**	49.50
National	**IIG**	**37.18**	**34.58**	**(2.60)**	**108%**	**-8%**	
National	**Data & Digital (all districts & national)**	**28.32**	**52.80**	**24.48**	**54%**	**46%**	31.33
Grand Total		**330.60**	**477.66**	**147.05**	**69%**	**31%**	977.59

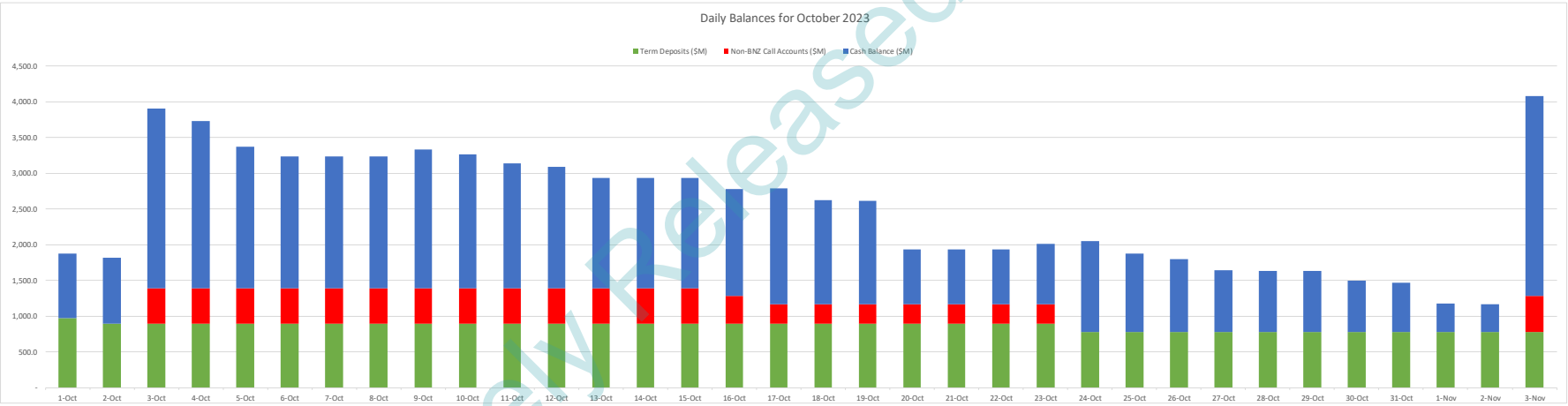
Cash Balances

Te Whatu Ora
Health New Zealand

BNZ Cash Offset Arrangement (Te Whatu Ora + Te Aka Whai Ora Daily Cash Balances for the month of October 2023)

Balance at 31/10/2023 $1467.6m

Date	1-Oct	2-Oct	3-Oct	4-Oct	5-Oct	6-Oct	7-Oct	8-Oct	9-Oct	10-Oct	11-Oct	12-Oct	13-Oct	14-Oct	15-Oct	16-Oct	17-Oct	18-Oct	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct	24-Oct	25-Oct	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct	31-Oct	1-Nov	2-Nov	3-Nov
Cash Balance ($M)	907.7	925.2	2,516.1	2,340.4	1,980.6	1,840.1	1,840.1	1,840.2	1,938.0	1,873.9	1,747.6	1,699.2	1,546.6	1,546.7	1,546.8	1,502.6	1,627.7	1,462.5	1,447.3	764.8	766.8	766.8	841.9	1,269.3	1,099.7	1,017.9	865.2	853.9	854.0	717.6	687.5	393.3	384.7	2,796.0
Term Deposits ($M)	970.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	890.1	780.1	780.1	780.1	780.1	780.1	780.1	780.1	780.1	780.1	780.1	780.1
Non-BNZ Call Accounts ($M)	-	-	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	390.0	275.0	275.0	275.0	275.0	275.0	275.0	275.0	-	-	-	-	-	-	-	-	-	-	500.0
Total Treasury Balance ($M)	1,877.8	1,815.3	3,906.2	3,730.5	3,370.7	3,230.2	3,230.2	3,230.3	3,328.1	3,264.0	3,137.7	3,089.3	2,936.7	2,936.8	2,936.9	2,782.7	2,792.8	2,627.6	2,612.4	1,929.9	1,931.9	1,931.9	2,007.0	2,049.4	1,879.8	1,798.0	1,645.3	1,634.0	1,634.1	1,497.7	1,467.6	1,173.4	1,164.8	4,076.1
Sector Ops Debit Balance ($M)	(33.7)	(57.3)	(12.7)	(30.8)	(170.4)	(67.2)	(67.2)	(67.2)	(16.8)	(65.7)	(17.1)	(41.9)	(38.8)	(38.8)	(38.8)	(176.1)	(18.6)	(20.6)	(12.5)	(418.8)	(418.7)	(418.7)	(418.6)	(38.2)	(33.3)	(19.1)	(46.6)	(46.6)	(46.6)	(43.7)	(31.3)	(62.0)	(10.5)	(57.2)
Districts/ SSA Debit Balance	(411.0)	(442.0)	-	-	-	(9.4)	(9.4)	(9.4)	(9.5)	(8.4)	(18.9)	(18.6)	(44.4)	(44.4)	(44.4)	(47.9)	(69.2)	(117.2)	(120.4)	(225.4)	(225.3)	(225.2)	(225.5)	(379.9)	(498.1)	(517.8)	(596.0)	(607.2)	(607.2)	(669.7)	(700.8)	(630.6)	(675.1)	-
Total Debit Balance (Max Limit $2.0bn)	(1,414.8)	(1,389.4)	(1,402.8)	(1,420.9)	(1,560.5)	(1,466.7)	(1,466.7)	(1,466.7)	(1,416.4)	(1,464.2)	(1,426.1)	(1,450.6)	(1,473.3)	(1,473.3)	(1,473.3)	(1,504.1)	(1,252.9)	(1,302.8)	(1,298.0)	(1,809.3)	(1,809.1)	(1,809.1)	(1,809.2)	(1,198.1)	(1,311.5)	(1,317.0)	(1,422.7)	(1,434.0)	(1,433.9)	(1,493.5)	(1,512.2)	(1,472.7)	(1,465.8)	(1,337.3)



Comments:
- Total treasury balance of $1.467bn on 31 October is lower than $1.87bn at 30 September, due to timing differences on Nurses Pay Equity funding, received on 3 Nov. $250m shortfall will be remedied over next 7 months.
- Term deposits were at 52.3% of the month-end balance at $780m (Target range 30%-50% of month end balance).
- HNZ Corporate cash balances is strong but districts had a debit balance of $700.8m on 31 October, mainly reflecting cash transfer profile with funds held in Corporate.

Performance against the Maximum Gross Debit Limit (MGDL)

Te Whatu Ora has a Cash-Offset Arrangement with BNZ that allows accounts (Te Whatu Ora and Te Aka Whai Ora) to have debit (overdraft) balances as long as they are more than matched by credit (cash) balances at any time. The MGDL is $2b and there were no breaches in July. However, the Gross Debit Balance peaked at $1.81bn, closer than comfortable to $2.0bn limit. We have asked BNZ to increase this internal credit control limit to $3.0bn to allow for placement of more funds with other banks and give flexibility to manage District debit balances.

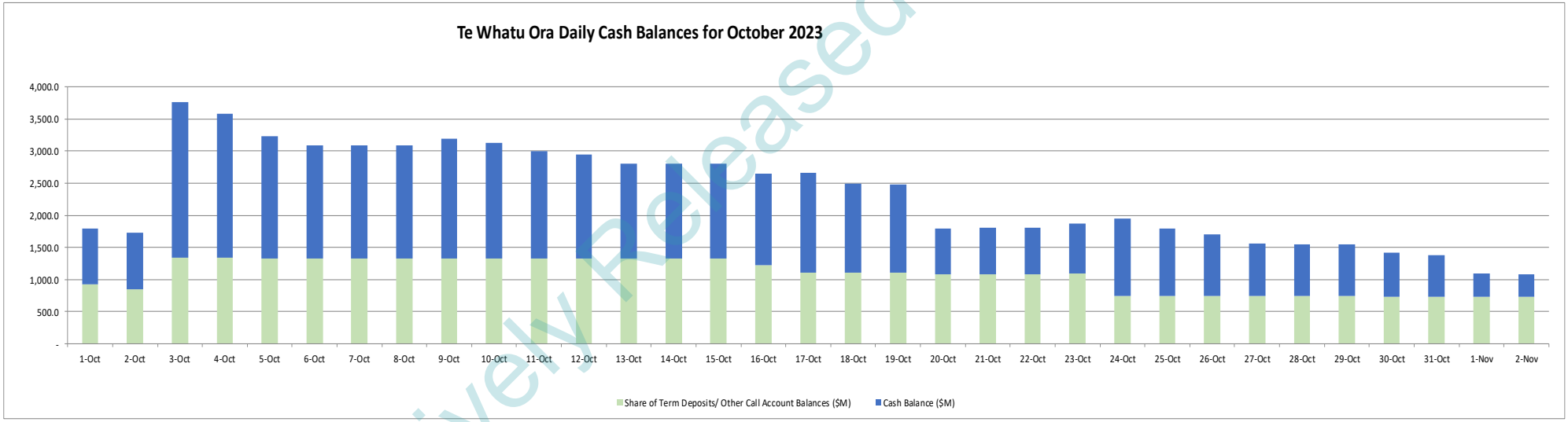
Cash Balances (cont)

Te Whatu Ora
Health New Zealand

Te Whatu Ora Daily Cash Balances for October 2023

Balance at 31/10/2023 $1385.5m

Date	1-Oct	2-Oct	3-Oct	4-Oct	5-Oct	6-Oct	7-Oct	8-Oct	9-Oct	10-Oct	11-Oct	12-Oct	13-Oct	14-Oct	15-Oct	16-Oct	17-Oct	18-Oct	19-Oct	20-Oct	21-Oct	22-Oct	23-Oct	24-Oct	25-Oct	26-Oct	27-Oct	28-Oct	29-Oct	30-Oct	31-Oct	1-Nov	2-Nov
Cash Balance ($M)	865.0	879.4	2,420.4	2,247.8	1,896.0	1,758.5	1,758.6	1,758.6	1,855.7	1,792.9	1,670.0	1,623.5	1,474.7	1,474.7	1,474.9	1,429.0	1,549.0	1,387.9	1,373.8	712.9	714.8	714.8	786.9	1,211.1	1,046.5	967.1	819.0	808.1	808.1	677.3	649.0	366.8	359.2
Share of Term Deposits/ Other Call Account Balances ($M)	924.4	846.0	1,337.2	1,335.1	1,330.7	1,328.5	1,328.5	1,328.5	1,331.0	1,330.0	1,328.4	1,328.2	1,325.4	1,325.4	1,325.4	1,217.4	1,108.7	1,105.7	1,105.9	1,086.0	1,086.1	1,086.1	1,089.0	744.4	742.4	741.2	738.5	738.2	738.2	736.3	736.4	727.6	728.4
Te Whatu Ora Total Treasury Balance ($M)	1,789.4	1,725.4	3,757.5	3,583.0	3,226.7	3,087.0	3,087.0	3,087.1	3,186.7	3,122.9	2,998.4	2,951.7	2,800.1	2,800.1	2,800.3	2,646.5	2,657.7	2,493.6	2,479.7	1,798.9	1,800.9	1,800.9	1,875.9	1,955.5	1,788.8	1,708.3	1,557.5	1,546.3	1,546.3	1,413.6	1,385.5	1,094.4	1,087.5

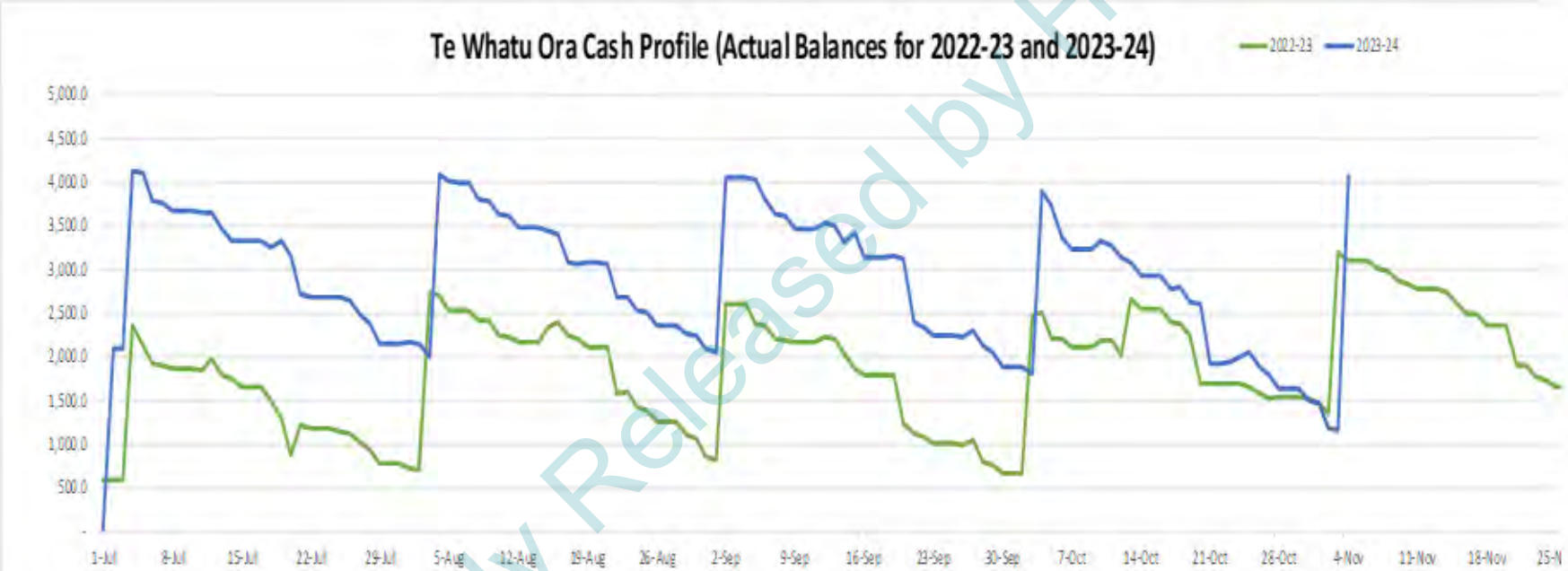


Comments:

- Te Whatu Ora treasury balance of $1.35bn at 31 October is less than $1.9 bn at 31 September 2023.
- Short-term deposits amounting to $0.78bn maturing within three months are included in the above cash balance. Te Whatu Ora's proportion of term deposit is $0.74bn.

Te Whatu Ora Cash Profile

Te Whatu Ora
Health New Zealand



Comments:

- There were 15 districts with an overdraft balance amounting of $700m on 31 October 2023. Otherwise, Te Whatu Ora's cash position remains overall satisfactory.

Paid Full Time Equivalents – budget vs actual, YTD

	Month				Year to Date			YTD	Annual
	Total Actual	Total Budget	Variance		Total Actual	Total Budget	Variance	Last Year Actuals	Budget
FTE									
Medical Personnel	10,985	10,831	(154)		10,634	10,754	120	10,339	10,958
Nursing Personnel	37,166	36,535	(631)		36,550	36,555	5	34,465	36,503
Allied Health Personnel	13,944	14,496	552		13,939	14,419	480	13,846	14,625
Support Personnel	4,452	4,499	47		4,456	4,512	56	4,316	4,476
Management & Admin Personnel	15,707	16,264	557		15,829	16,275	445	16,080	16,245
	82,254	**82,625**	**371**		**81,408**	**82,514**	**1,106**	**79,046**	**82,806**

Commentary:

Medical and Allied Health staff are under FTE budgets YTD due to vacancies.

Nursing FTE are over budget for the month reflecting filling of vacancies in some parts of the country, leave cover, safe staffing levels and overtime, but overall within budget YTD.

Management and Admin personnel are below budget YTD due to reform savings initiatives and holding vacancies.

Note that all clinical staffing categories have higher actual paid FTEs than for the same period 12 months ago and management and admin FTEs are lower.

Note: Internal Personnel are staff employed directly by Te Whatu Ora, outsourced personnel are people not directly employed who are paid via agencies and individual contracts.

Te Whatu Ora
Health New Zealand

Expenditure by Function: October 2023

	Month - Expenditure $m			Year To Date - Expenditure $m			MONTH
Function	**Actual**	**Budget**	**Variance**	**YTD Actual**	**YTD Budget**	**Variance**	**FTE**
Commissioning: Primary & Community	793	763	(30)	2,996	3,038	42	*643*
Data & Digital	61	75	14	238	297	59	*1,896*
Finance	10	20	10	53	65	11	*886*
Hospital & Specialist Services	1,192	1,181	(11)	4,732	4,672	(60)	*72,969*
Infrastructure & Investment	74	63	(10)	274	236	(38)	*727*
Internal Audit & Assurance	1	1	0	3	5	1	*72*
National Public Health Service	41	38	(3)	139	150	11	*1,256*
Office of the CE & Governance	7	6	(0)	40	24	(16)	*192*
Pacific Health	4	5	0	17	19	1	*105*
People & Culture	28	28	0	107	119	12	*1,442*
Service Improvement & Innovation	7	8	1	27	35	8	*374*
Others	59	18	(41)	260	127	(133)	*1,527*
Total	**2,276**	**2,206**	**(70)**	**8,888**	**8,787**	**(101)**	***82,090***

This report represents a functional view of Te Whatu Ora expenditure and performance against budget. The largest year-to-date negative variance in this report within Hospital & Specialist Services is not of concern, this represents accrual provisions only, and Others, which includes expenditure relating to a subsidiary entity that is matched by revenue (reflecting the accounting treatment rather than a variance). Others includes COVID-19, Disability Services, Maori Health and Trusts. FTE is less reliable at functional level than expenditure is, with some alignment required to ensure it is recorded accurately against the correct function. For this reason FTE should be considered indicative.

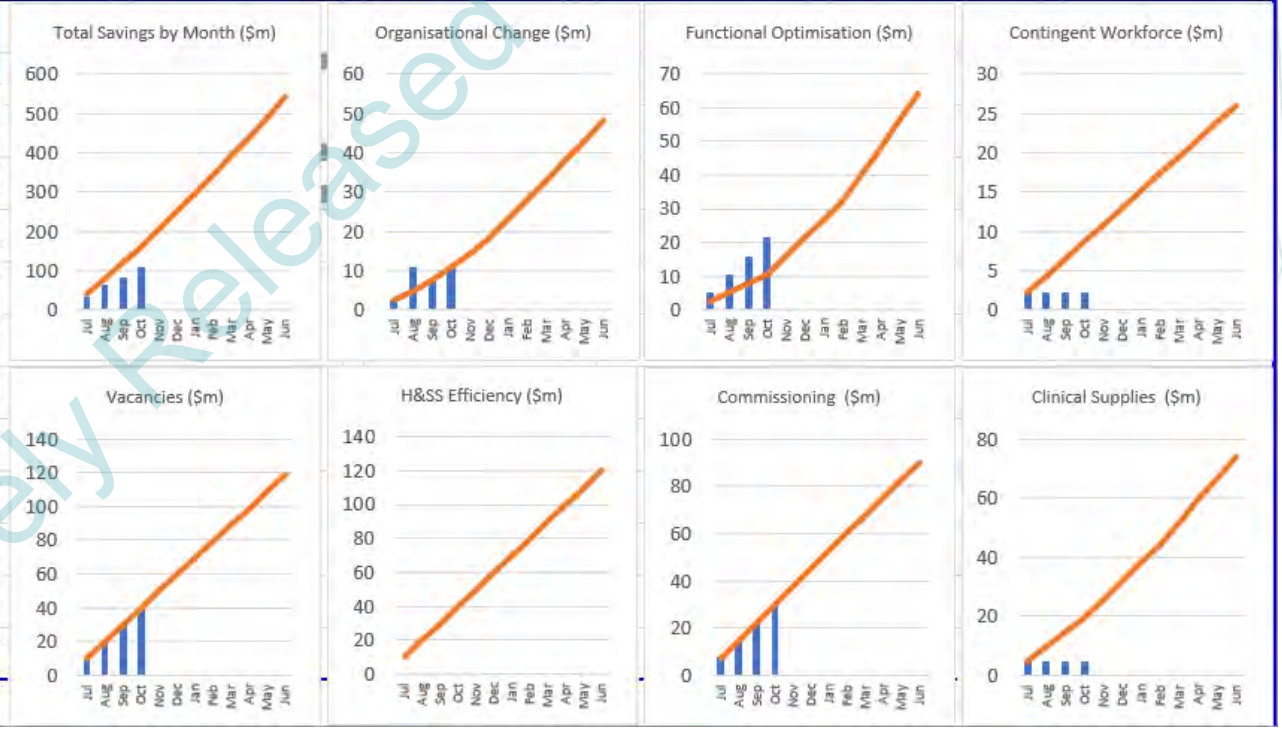
Te Whatu Ora
Health New Zealand

Savings Dashboard: October 2023

Savings	Actual $m	Target $m	Variance $m	Savings	Actual $m	Target $m	Variance $m
Month	26.23	40.60	(14.37)	YTD	108.88	159.41	(50.53)

YTD Savings

Drivers of savings	Progress to date ($m)	Target to date ($m)
Organisational change - Run rate savings post Simplify to Unify consultation	11.00	11.00
Functional optimisation - Structural and functional change to operation (rationalisation, standardisation, regionalisation)	21.38	10.69
Contingent workforce reduction - Reduction in consultancy, outsourcing, contractors	2.17	8.67
Vacancies reduction - Removal of vacant positions	39.55	39.55
HSS efficiency - Delivery of more service with the same resources/capacity.	0.00	40.00
Commissioning efficiency - Commissioning base underspend and service reviews	30.00	30.00
Clinical supplies optimisation - Supply consolidation, demand reduction	4.78	19.50
Total	108.88	159.41



October 2023 Savings Commentary

The savings table reflects savings built into the 2023/24 operational budget, to recap the initial annual savings of $500m was upgraded to $540m to cover increased provision to settle collective employment agreements. The breakdown above reflects targets built into operational budgets on a bottom-up basis to ensure accountability and accurate reporting. Savings are phased throughout the year with more savings expected to be realised in the later months.

As per the April 2023 Board decisions these savings have been directed to

- the Implementation of Breast Screening Review;
- Implementation of the Immunisation Taskforce report;
- Funding pool for **Winter initiatives** to implement a suite of initiatives to improve both preparedness and response, including negotiating contracts with primary and community care and accelerating recruitment to support hospital hotspots;
- Funding pool for **Equity initiatives** to help baseline outreach services that were established during COVID19, enabling them to be more widely used for immunisation and screening follow up, along with work with primary care to support follow up of patients that have deferred care.
- Covering wage and cost uplifts across the employed and community workforces above annual funding increase.

As further savings are delivered the Board will be able to deliberate further on where these should be invested. A conservative approach has been taken to ensure savings are delivered before there is reinvestment. With the change in government saving may be required to be redirected to new priorities.

December 2023 Documents

Date	Title	Decision on release
18 December 2023	Letter, Minister Reti, *Appointment of Crown Observer to the Board of Health NZ*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons.
19 December 2023	Letter, HNZ, *Appointment of Crown Observer*	Released in full.
22 December 2023	Letter, MoH, *Fiscal Objectives*	Released in full.

Hon Dr Shane Reti

Minister of Health
Minister for Pacific Peoples

18 DEC 2023

Dame Dr Karen Poutasi
Chair
Health New Zealand | Te Whatu Ora
s 9(2)(a)

Dear Dame Dr Karen Poutasi

Appointment of a Crown observer to the Board of Health New Zealand | Te Whatu Ora

I am writing to confirm that I have appointed Mr Ken Whelan as Crown Observer to the Board of Health New Zealand | Te Whatu Ora (the Board) for a term commencing on 22 December 2023 and ending on 30 June 2025.

I am confident that the appointment of a Crown observer will assist the Board and management to address the challenging issues facing Health New Zealand, and I look forward to seeing progress.

The functions of the Crown Observer, and my expectations of the Board in relation to that role, are consistent with those set out in section 61 of the Pae Ora (Healthy Futures) Act 2022. I expect that you will assist the Crown Observer to carry out his functions effectively, including ensuring that he has access to all relevant meetings, papers, and other information that is necessary for him to:

- observe meeting decisions and decision-making processes of the Board
- assist those involved in Board meetings in understanding the policies and wishes of the Government so that they can be appropriately reflected in decisions of the meeting
- advise me as the Minister of Health on any matter relating to Health New Zealand, the Board, or its performance.

I expect that the Crown Observer will work closely with you as the Chair, and with the Chief Executive in carrying out his duties. Please note that the Crown Observer's remuneration has been set at $70,000 per annum and will be paid through the office of the Chief Executive, Health New Zealand.

Yours sincerely

Hon Dr Shane Reti
Minister of Health

cc Margie Apa, Chief Executive, Health New Zealand | Te Whatu Ora
margie.apa@health.govt.nz
Ken Whelan, Crown Observer, Health New Zealand | Te Whatu Ora
s 9(2)(a)
Stasha Mason, Statutory Appointments and Integrity Services, Ministry of Health
appointments@health.govt.nz

Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand | +64 4 817 6803 | s.reti@ministers.govt.nz

Te Whatu Ora
Health New Zealand

19 December 2023

Hon Dr Shane Reti
Minister of Health

Tēnā koe Minister

Appointment of Crown Observer

On behalf of the Board, I want to acknowledge your announcement earlier today regarding the appointment of Ken Whelan as a Crown observer to Health New Zealand | Te Whatu Ora.

Ken is well known to us and brings significant knowledge and experience; we look forward to working alongside him in the phase ahead.

In making your announcement, we noted and appreciated your emphasis on providing additional support to implement the health reforms, and your expression of confidence in the Board and continued support for our work. Both the Board and management continue a high focus on performance, including the ongoing development of Te Whatu Ora as a new organisation.

In terms of added support, we welcome your recognition of both the challenge we collectively face, and the opportunity we have together to move the system ahead. The amalgamation of 28 previous entities, along with some functions of the Ministry of Health, is a significant task – and one that will take time and dedicated investment to realise the full benefits we all want to see. The Ministry and other health entities also have key roles in moving the system ahead, along with organisations that can significantly influence the social determinants of health.

In making your announcement, we also appreciated the reassurance and thanks you offered to our committed and hard-working staff.

Since our establishment on 1 July 2022, we have made good progress. We are realising benefits that would not have been possible in the previous environment. This has included savings in corporate costs (an annualised level of $173m in year one with more to come), and significant rationalisation of management and corporate roles (a reduction of 1,300 in 2022/23), along with contractors (1180 down to 635 in 2022/23). These savings have enabled reinvestment in services and frontline roles.

As a single organisation, we are also now able to robustly understand a national picture, along with the full set of challenges we inherited from the previous system structure.

In closing, I want to further assure you of our strong focus on improving health system performance. We look forward to Ken's insights and, more broadly, to working with you to deliver on the Government's priorities.

Ngā mihi maioha

Dame Dr Karen Poutasi
Chair

Te Kāwanatanga o Aotearoa
New Zealand Government

MANATŪ HAUORA
MINISTRY OF HEALTH

133 Molesworth Street
PO Box 5013
Wellington 6140
New Zealand
T+64 4 496 2000

22 December 2023

Dame Karen Poutasi
Chair, Health New Zealand

Dear Dame Karen

FISCAL OBJECTIVES ACROSS THE TERM AND BUDGET 2024

The Crown has been in operating deficit since 2019/20 and there is an ongoing challenging fiscal environment. High inflation and interest rates are creating significant cost of living pressures for New Zealanders and putting pressure on Government finances. Our economy relies on a fiscal strategy that sees a steady path to return to surplus, supporting monetary policy to bring inflation down. Strict fiscal management will be necessary to get the government books back in order and ensure limited funds are directed towards the highest value investments. The Government expects all public sector organisations to play their part in this, including statutory Crown entities, Crown entity companies, State Owned Enterprises (SOEs) and Public Finance Act Schedule 4A companies.

As part the Government's immediate actions, it will be making decisions to reduce public expenditure, including consultant and contractor expenditure. Meeting the Government's fiscal objectives while also delivering better public services requires looking at all public expenditure, not just that of departments. A target level of savings for Budget 2024 has been established for all agencies. The responsible department will be required to quickly identify these savings.

Government agencies and other public organisations should expect enhanced scrutiny of Crown funding. Crown entities are also expected to operate efficiently, effectively and in a financially responsible manner, ensuring that they act as a successful going concern. You should be able to demonstrate that activities funded from Crown revenue are:

- as efficient as possible;
- making a difference for New Zealanders.

As your Crown entity receives funding from the Crown, including funding for the purchase of goods or services, I would be grateful if you could:

- Work proactively with Ministry of Health | Manatū Haora (the Ministry) to identify material savings and efficiency improvements for your entity, including trade-offs and impacts on their ability to carry out the entity's functions. Note that, as part of Health New Zealand's (HNZ) development of the cost pressure initiative, HNZ will need to outline reprioritisation and scaling options if annual cost pressure funding were scaled to 75% and 50% of the full quantum of the bottom-up cost pressure estimates.

- Provide information to the Ministry so that the Government can be assured that expectations are being met while continuing to deliver for New Zealand.

For the duration of this term, it is expected that there will be a greater focus on reprioritisation and managing cost drivers, while delivering improved performance. This applies to both departmental and non-departmental appropriations.

Yours sincerely

Dr Diana Sarfati
Director-General of Health

cc. Fepulea'i Margie Apa, Chief Executive Officer, Health New Zealand

January 2024 Documents

Date	Title	Decision on release
16 January 2024	HNZ00035296- Aide Mémoire – *Quarterly and Monthly Performance Reports*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – withheld under section 18(d) as is publicly available –Quarterly Performance Report - 1 July – 30 September 2023 – Health New Zealand | Te Whatu Ora Note: **Appendix 3** – released as not part of the publicly released Quarterly Report. Some information withheld as it is out of scope and is not directly related to financial information. Some information also withheld under section 9(2)(j) of the Act to enable the Health NZ to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) **Appendices 2 and 5** – Withheld in full as out of scope. Document does not contain any financial information. **Appendix 3** – Excerpt provided under section 16(1)(e) of the Act • Page 20, Financial Monthly Highlights **Appendix 4** – Released in full.
25 January 2024	Letter – MoF *Capital Process for Budget 2024*	Withheld under section 18(d) as is publicly available - Health Portfolio - Budget 2024 Information Release - 12 September 2024

Aide-Mémoire

Quarterly and Monthly Performance Reports

To:	Hon Dr Shane Reti Minister of Health	**Reference:**	HNZ00035296
From:	Peter Alsop, Chief of Staff	**Due Date:**	16 January 2024
Copy:		**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Peter Alsop	Chief of Staff	s 9(2)(a)	**X**
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	

Attachments	Appendix 1: Quarter One Performance Report **N.B. Publicly Released** Appendix 2: Quarter One Te Pae Tata Milestone Report * Appendix 3: November Monthly Performance Report ** Appendix 4: November Financial Report Appendix 5: November Te Pae Tata Milestones Report *

*** N.B. Not in scope, no financial information**
**** N.B. Excerpt released under section 16(1)(e)**

Peter Alsop
Chief of Staff

Purpose

1. This Aide-Memoire introduces a suite of performance reports:
    - Quarter One (1 July 2023 – 30 September 2023) Performance Report and Quarter One Te Pae Tata Milestone Report
    - November 2023 - Monthly Performance Report; Financial Performance Report; and November Te Pae Tata milestones report
2. The only report that will be published is the Quarter One Performance report. Publication is planned for the week commencing 29 January. We welcome any feedback you would like to provide on the report by 24 January 2024.
3. Recognising that these reports relate to the period July-November 2023, please note that the Quarter One report reflects performance against some expectations set by the previous Government. We also note that the November Monthly Performance report includes information on areas for which health targets may be set.

Process

4. The table below sets out routine performance reports you will receive in 2023/24.

Report	Period	Board review	To Minister
Monthly	November 2023	22 December	January 2024
Quarter 1	July-Sept 2023	22 December	January 2024#
Monthly	December 2023	26 January	February 2024
Quarter 2	Oct-Dec 2023	23 February	March 2024
Monthly	January 2024	23 February	March 2024
Monthly	February 2024	22 March	April 2024
Monthly	March 2024	26 April	May 2024
Quarter 3	Jan-March 2024	24 May	June 2024
Monthly	April 2024	24 May 2024	June 2024
Monthly	May 2024	27 June 2024	July 2024
Monthly	June 2024	26 July 2024	August 2024
Quarter 4	April-June 2024	23 August 2024	September 2024

Note: the timing of the Q1 report was delayed due to issues with availability of performance data.

Role of monitoring agencies

5. Our monthly and quarterly reports are provided to our monitoring agencies – Ministry of Health | Manatū Hauora, Te Aka Whai Ora, and the Treasury. The Ministry and Te Aka Whai Ora are sent drafts for review and we make adjustments where appropriate to address their comments.
6. We liaise with both the Ministry and Te Aka Whai Ora to ensure timely submission to your office of our quarterly report and their companion monitoring reports and advice. This ensures you receive both our performance report and the monitoring agencies' advice on our performance concurrently.

Communications

7. We will complete communications planning before the Quarterly report's release. Key issues that may attract attention include:
    - **Waitlist:** Given system pressures, including workforce shortages and recovery from the impact of COVID-19, all districts have patients waiting beyond expected timeframes for assessment and treatment. We are taking a nationally co-ordinated approach to reducing wait lists.
    - **First specialist assessment data:** Demand for First Specialist Appointments continues to grow. Contributing factors include our growing population, which is also aging, and an ongoing impact from COVID-19 when people may have delayed seeking care.
    - **Workforce:** We have delivered several international recruitment campaigns to attract more people to work in New Zealand with over 900 people arriving in New Zealand for a Te Whatu Ora job through the Accredited Employer Work Visa scheme (since it opened in July 2022).
    - **Mental health wait times:** The data for this quarter shows mental health wait times are improving. While this is positive, and we are working hard to reduce wait times, it is too early to say if this represents a trend. We would need to see data over a longer period to determine this.
    - **Data quality:** The measures provide a snapshot in time; there may be variances depending on when data is uploaded on any given day. Known caveats are included in the report.

Next Steps

8. We welcome your feedback on the Quarterly Report by 24 January, to enable changes to be considered ahead of publication in the week beginning 29 January.
9. We will keep your office updated on the timing of publication.

The sections detailed below are only for ELT, Board members, Monitors, and the Minister information. The published version of the Quarterly Performance Report will not include this content.

Detailed Financial Risks and Mitigation

Workforce Risks

People and Communications, National Public Health Service, Infrastructure and Investment Group, and Service Improvement and Innovation all share a similar risk profile regarding 'workforce' risks.

These include cost pressures on the workforce (resourcing, vacancies, MECA settlements, pay equity, Holidays Act remediation).

As well as the above risks, vacancies are impacting other parts of the business.

Hospital and Specialist Services face immediate workforce resourcing risks; FTE growth within the Hospital and Specialist Services 2023/24 budget is significant and comes following a year with very high vacancy rates. Vacancies are likely to create pressure in managing demand, both acute and planned.

In the Commissioning space, the aged care underspend is being driven primarily by fewer residential care beds, with the mental health underspend being driven by the lack of workforce impacting on the recruitment of clinical FTE. Aged Residential Care bed reductions are due mainly to staffing shortages, rather than a reduction in demand. Once a positive flow of nursing and support worker workforce we would expect to see an increase in bed occupancy.

Other Cost Pressures

Hospital and Specialist Services

- While contracts in place have been budgeted at agreed prices, all other costs have been budgeted for cost uplifts to s 9(2)(j) There have also been savings lines budgeted to ensure total cost pressures are s 9(2)(j) . Many service contracts in place, particularly those reliant on vulnerable workforces such as Cleaning and Food Services, are seeing significant wage growth impact of pricing negotiations, with s 9(2)(j) of staffing expected.
- Hospital and Specialist services have also had for several years the benefit of funded PPE provided via central stocks. These supplies will be exhausted by September 2023, and following this the costs will revert back to hospitals to

cover. This is known to have added an unbudgeted circa $10m cost to be borne in the later months of the year.

Commissioning

- Funding to the primary and community sector has struggled to keep up with cost pressure growth. Many parts of the funded sector are showing signs of imminent failure, predominantly as a result of workforce shortages and funding models that are no longer fit for purpose for the complexity of care required. This is seen across a range of services and sectors including aged care with Aged Residential Care bed and facility closures, closed books in general practices reducing people's access to early care and intervention, and After-Hours services struggling to cover after hours rosters, putting pressure on ED.
- A number of areas remain at high risk during this financial year, arising from either one or all of financial, workforce or demand pressures. Of particular concern would be primary care (including after hours and urgent care), primary maternity, National Travel and Assistance scheme and high-cost individual clients. The pressure on hospital and specialist services arising from a lack of aged care residential beds has been well documented as part of the system pressures.
- The Te Whatu Ora budget process is still in transition. In moving from 20 districts, corporate and other entities, we have had limited ability to review and understand the baseline expenditure budgets at a detailed level and are exposed to the quality of each of these internal processes.
- A number of issues are appearing within district expenditure where the management of volume or at-risk services have been managed with in their overall actual expenditure, without an adjustment to outyear budgets. As the 2023/24 budget parameters were based on the 22/23 start point, some of these issues have yet to be identified.

Infrastructure and Investment

- Historical inherited budgets don't fully reflect the underlying cost pressures and operational demands.
- There is a risk that rent reviews/renewal negotiations are settled higher than budgeted allowances.
- Utilities are relatively uncontrollable costs in the short to mid-term.
- Maintenance costs are difficult to change in the short to mid-term due to age of facilities around the country and existing contracts in place.
- Projects that would normally be recognised as capex but are classified as Software as a Service will result in an opex uplift (i.e., project reporting system).
- Business case development costs don't meet asset recognition criteria and must be expensed (also an opportunity).
- Further investment is needed in asset management to understand what Te Whatu Ora owns and manages in terms of health infrastructure. This means that there is a lack of evidence to support investment where it is needed most to mitigate the likelihood of asset failure.

- Further investment is needed in a Nation-wide project reporting system. This will be used to demonstrate that Te Whatu Ora has increased maturity as an asset intensive agency and improve Manatū Hauora, Ministers and Treasury's confidence in providing us with multiyear capital appropriations.

Budgeted Savings Target Risks

Hospital and Specialist Services

- New Financial sustainability initiatives added $355.6m to carried forward savings programmes, this is a significant percentage of total base budget. When viewed alongside the need of Hospital and Specialist Services to manage all volume growth within current budgets, to retain cost growth to a maximum of 2% and then to further reduce costs incurred by $355.6m, the pressure on operational teams to identify opportunities that will not impact on service delivery, or to accept service reductions where needed is challenging. Multiple workstreams and discussions are underway looking at the best way to achieve this ask, but the risk of under delivery of these savings initiatives is significant.
- Vacancies carried forward from 2022/23 are not permanent FTE reductions, but reflect acknowledgement of anticipated staff turnover and short-term vacancies arising as a result of natural "churn". There were $197.6m of carried forward vacancies already factored into Hospital and Specialist Services, these have been increased by $115.2m for a total vacancy assumption of $312.8m in 2023/24. This represents 3.1% of all staffing costs for the year. While vacancies do arise naturally, they create difficulties in service delivery, and where backfilled they tend to result in greater costs incurred through high cost of cover than would be incurred normally (e.g.; Overtime, incentive payments, use of Bureau staff or Outsourcing etc).

National Public Health Service

- Ambiguity and ongoing change in alignment of budgets between NPHS and other national services is making it difficult to assess the completeness and sufficiency of the NPHS budget.
- Political and policy decisions necessitated implementation of initiatives which were not planned and not budgeted.

Service Delivery Risks

Hospital and Specialist Services

- The Hospital and Specialist Services budget was not aligned to production plans, but rather held at 2022/23 plan level. Acute growth is therefore a significant risk to financial sustainability, though this may still remain within plan.
- Planned care remediation has been approved at $118m for the FY 2023/24 year. $8m of this has been included in the budget presented, the remaining carry-forward of $110m has been approved through in principal expense transfer (IPET) but is not as yet reflected in budgets. This work can commence regardless, and costs incurred up to $118m will be met by this budget as it is amended to add the carry-forward provision in coming month/s. This should

partially mitigate additional costs incurred for planned care volume growth, though this funding is not intended to cover general planned service delivery, which remains budgeted only at 2022/23 levels.

Data and Digital

Out of scope

People and Communications

- Risks relating to service delivery include end of life systems in payroll, HR and rostering have the risk of failure or requiring significant effort/urgent expenditure to avoid failure.

National Public Health Service

- Risk that staff, capability and new ways of working developed during COVID are not retained, which may materially impact on various NPHS service priorities, for example screening and vaccination levels in priority populations;
- Budget pressures necessitating further scaling back of the NPHS future operating model which would likely impact frontline resourcing and resultant service

Risk Mitigations

Table 1a: **Hospital and Specialist Services** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Workforce Resourcing	**High**	**21**	Engagement with SI&I to identify unwarranted clinical variation, ongoing Regional and National staff balancing to ensure services are covered.	**Medium**	**13**
Workforce Cost pressures	**High**	**21**	Engagement with P&C to understand and address MECA increases above budget. Work with Regional and Group Directors to understand local and Regional unbudgeted costs.	**Medium**	**13**

Other Cost pressures	**High**	**17**	Careful variance analysis of expenditure above budget to allow early intervention where costs are exceeding budget.	Medium	**8**
Procurement and Supply chain risks	**High**	**17**	Engagement with PSC-HTM team to actively manage and prioritise key procurement priorities.	Medium	**8**
Capital Risks	**Medium**	**9**	Engagement with I&I will be ongoing to manage all Capital opportunities and risks.	**Medium**	**4**
Planned investment Risks	**Medium**	**13**	Regional and National reviews to ensure alignment with key Priorities and Te Pae Tata are underway	**Medium**	**4**
Budgeted Savings targets – FSP	**Extreme**	**25**	Achievement of the budgeted savings lines requires careful review to identify opportunities without adversely affecting clinical service delivery. All H&SS Leaders are engaging with this programme.	**High**	**20**
Budgeted Savings targets – Vacancies	**Medium**	**13**	Clinical vacancies will remain opportunistic,	**Medium**	**5**
Service Delivery Risks	**High**	**21**	Service Delivery is dependent on Staffing risks above being mitigated.	High	**14**
Operational Change Risks	**Medium**	**4**	Care is being taken with the design of the Operational model to actively avoid operational change risks occurring.	**Low**	**1**

Table 1b: **National Public Health Service** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Workforce and cost pressure risks (A particular risk is the impending contract end date of 31 October 23 for many covid funded staff whose functions / positions are proposed to be replicated in the new structure)	**Hi**	**21**	Maximising the filled position rate for frontline services; Managing position vacancy rates for support and admin positions; Holding back 72 FTE identified non frontline positions as part of rollout of new structure; Ensuring appropriate budget accompanies net FTE transfers into NPHS; Rolling out budgets, budget management, and accurate FTE reporting which reflects future state structure and applying strict monitoring and management thereof; Ensuring absolute clarity of the NPHS budget composition and maximising budget entitlement;	**Hi**	**17**
Risks relating to planned investments	**Hi**	**17**	Managing aggregate budgets across related projects; Pursuing budget bids as appropriate for identified priority projects which don't yet have approved budgets;	**Med**	**13**
Risks relating to Budgeted Savings Targets	**Med**	**13**	Embedding targets at operational level cost centres Regular financial reporting, and financial accountability and management reviews	**Med**	**8**
Risks relating to service delivery	**Hi**	**17**	In the short term the risk relating to an expected / required enhanced level of public health service delivery is relatively high due to budget	**Med**	**13**

			uncertainty and the time that will be required to fully implement the NPHS new structure. The NPHS future structure rollout is being implemented as quickly as possible to avoid prolonged uncertainty amongst NPHS staff, particularly frontline workers; As noted in prior mitigants above there is a focus on resourcing and maximising as far as possible frontline services. The previous mentioned budget management strategies will also help resource core services delivery;		
Risks relating to managing change	**Med**	**13**	NPHS has a dedicated change management team; The change is being worked through as systematically and as quickly as possible;	**Med**	**13**

Table 1c: **Commissioning** – Risk Mitigations

Risk	Mitigation(s)	Rating
Current system that has underdelivered is reinforced	• Clearly articulate the plan and timelines to engage each sector in conversations to fundamentally redesign design service and funding models, to bring the NZ health system into alignment with the Pae Ora Act health sector principles • Continue to roll out 'new' funding in ways more aligned to the health sector principles • Budget 24 process, moving Te Whatu Ora to a fully costed NZHP	Low
Budgeted Saving Target of $90m not being achieved	• Close monitoring of monthly financial performance and demand activity	High

At risk services fail	• Focus on specific programmes of work to address key issues for at-risk services 23/24	High
Proposed uplifts will not meet provider expectations	• We continue to work with the sector to target the uplift to areas of significant cost pressure, including the frontline workforce. • Funding review for Aged Care, Home Based Support Services and General practice under Budget 24 will guide decision making with these part of the sector	High
Proposed uplifts will not address key issues of equity of access and outcome and are not targeted	• Work with the Commissioning leadership team to identify areas for investment to improve equity and better target funding	Medium
Providers may withdraw some services	• Understand the impact on other parts of the system (eg hospital costs) and redirect expenditure to prevent unnecessary disruption in care	Medium
Workforce issues increase as recruitment continues to be a concern, exacerbated by wage relativities across the board	• Continue to work with the sector and other parts of Te Whatu Ora on workforce solutions • Ensure any new funding arising from future government decisions regarding pay parity and pay equity are implemented quickly and well	High
Sector loses confidence that we are moving to new ways of working and funding models, resulting in a deterioration in the relationship	• Continue work programme to implement new, simplified versions of contracts • Make improvements to the annual negotiation process with providers and peak bodies • Manage budget into future years to enable reasonable percentage uplifts aligned to a) real rising costs and b) on a trajectory to long-term sustainability	Medium

Table 1d: **Data and Digital** – Risk Mitigations

Table 1e: **System Improvement and Innovation** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
People, Culture & Capability Risk of lack of workforce capacity and capability to scale up National initiatives and deliver within operational timeframes. Phase 2 of the consultation extended to a later date in the year. Potential delay in work programmes due to not being fully resourced **Likelihood:** Possible **Consequence:** Moderate	**Medium**	**13**	Potentially look to outsourcing with contractors or secondments for key positions	**Medium**	**9**
Data & Digital Systems and Services IT Infrastructure is critical to operating on a national level, the ability sharing information. Cohesive contracts process and systems yet to be established **Likelihood:** Almost Certain **Consequence:** Minor	**High**	**16**	Anticipate that digital workspace initiatives will resolve some of the concerns; to confirm with Data & Digital plan	**Medium**	**8**
Programmes & Projects Māori and Pacific Pipeline – under delivery due to several factors such as recruitment. Risk detail	**High**	**17**	To confirm with the Equity Team	**Medium**	**12**

requires a deep dive with the Equity team. **Likelihood:** Likely **Consequence:** Moderate					
Organisational Sustainability The final mapping of $s and FTEs are still subject to refinement and the outcomes of Simplify to Unify consultations; any changes however are anticipated to be cost neutral with transfers between other Directorates **Likelihood:** Likely **Consequence:** Moderate	**High**	**17**	Verify with each of the Tier 3 Directors	**Low**	**2**

Table 1f: **Infrastructure Investment Group** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Rent reviews / Right of Renewals negotiations may result in unbudgeted cost increases	**Extreme**	**12**	Te Whatu Ora to exit and/or consolidate leases from overall property portfolio. Obtain market info to negotiate lease reviews / renewals. Optimise use of or revenue increases of existing Te Whatu Ora property portfolio.	**High**	**5**
IIG continue to use of consultants despite opex savings targets	**High**	**17**	IIG National office to oversee consultant spend to ensure Districts aren't commissioning duplicate work. Business cases are not started unless prioritised Nationally. Build in house expertise rather than outsourcing.	**High**	**5**

			Maximising the use of the IPECT funding for consultants in line with the IIG priorities.		
IPECT deliverables have been committed, however the in- principle funding may not be approved by the Minister.	**Extreme**	**22**	IIG is ensuring the required templates and proposal are submitted to the Ministry to demonstrate how the funds have / will be committed and spent in 2023/24 to deliver against the expectations of the appropriations.	**Low**	**3**
Utilities costs are higher than budget as demand and market pricing is largely unavoidable	**High**	**20**	Energy Transition initiatives should reduce exposure but will take time to take effect; Utilities contract renegotiations could reduce prices.	**Medium**	**11**
Savings expectations are not achieved in the 2023/24 year	**High**	**18**	Embedding the new IIG operating model should reduce duplication. Regional leads will have a focus on savings and efficiencies in accordance with National priorities. Monthly reporting and holding business units to account for budgets. Ensuring all budget transfers and IIG costs are correctly accounted for in the budget. Maximising the use of the IPECT funding for consultants in line with the IIG priorities.	**Medium**	**5**

Table 1g: **People and Communications** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Organisational Change Risk	**Extreme**	**22**	Clear communication of the change process, transparent decision making for staff, and P & C leadership team respond to queries	**High**	**20**

Failure of Critical Payroll Process	**Extreme**	**22**	Implement national ways of working by system to enhance knowledge transfer across country	**High**	**20**
Failure of Critical Health & Safety Process	**Extreme**	**22**	Implement national ways of working with specialisation	**High**	**20**
Disparate Budget systems across country and function	**High**	**17**	Continue to enhance central view and find budgets relating to P & C in other functions budgets	**Medium**	**12**
Legacy End of life payroll related software forcing rapid unplanned expenditure	**High**	**20**	Planning underway to surface all legacy challenges	**High**	**20**
Vendor Risks	**High**	**17**	Purchasing and organising at scale can unsettle existing vendors and drive retaliatory pricing during interim transition phases. Engage with procurement and Data and Digital through the whole planned journey.	**Medium**	**8**
Workforce Bargaining Environment	**High**	**17**	Settle Pay equity and MECA claims efficiently and within budget parameters.	**High**	**17**
Organisational decisions to implement programmes that are unbudgeted to be delivered by P & C	**High**	**20**	Seek budget transfers and clear funding for initiatives	**High**	**20**
Legislative compliance.	**Medium**	**8**	National Holidays Act programme and national ways of working.	**Medium**	**8**
Savings Plan Delivery	**High**	**17**	Focus on being efficiently organised through org structure design.	**Medium**	**8**

Appendix 3 of Quarter One Performance Report: Detailed Financial Risks and Mitigation

Excerpt of pages 64 - 66 released under section 16(1)(e) of the Act

Financial Management **Risk Owner:** Chief Financial Officer	If Te Whatu Ora does not meet its financial obligations in a sustainable way, then fiscal losses could occur, resulting in pressure on funding the reform change programme.	The National Finance Work Programme continues to implement integrated financial planning and reporting across Te Whatu Ora to ensure financial obligations can be met to deliver ongoing organisational sustainability. Over the last quarter Te Whatu Ora has progressed the following mitigation: • The Finance Procurement and Inventory Management System implementation is progressing to plan with 93% of the sector onboarded and utilising the system. • Planned savings have been phased across the year and remain largely on track after two months. This is aimed at contribution to ongoing organisational sustainability. • A full operational and capital plan has been developed and improvement implemented to enhance cashflow forecasting to ensuring that all financial obligations are met on a timely basis. • At a functional level Te Whatu Ora has complete, breakeven budgets, and are reporting against it to meet its obligations.	The National Finance Work Programme continues at pace and covers a range of items including: • Re-casting financial reporting into the new Te Whatu Ora structure and developing reporting to meet the needs of Management and Board. • Banking rationalisation (incorporating Cashflow forecasting). • Transactional operations standardisation and rationalisation (payables, receivables, etc). • Comprehensive and Integrated Capital Plan Reporting. • Unified Balance Sheet and External Audit 2023 (combined). • Implementation of Costing across the whole of Te Whatu Ora Hospital and Specialist Services as per roadmap. • FPIM rollout.

			Over the last quarter Te Whatu Ora has progressed the following mitigation: • The FPIM Programme is on track as per the approved plan and budget. Twenty-two ex-Districts and Shared Services are now live on the FPIM system. Mid Central went live on 1st August 2023 and Hawkes Bay has just gone live on 1st October. This adds to 93% of the sector. • The 2023/24 Budget developed maps to the functional structure now in place for Te Whatu Ora. This enables alignment of delegations and reporting with where accountability and responsibility sits, thus enabling appropriate decision making and corrective action to be taken when necessary to ensure ongoing financial sustainability. • Year-end forecast is as per the budget at this point in the year, detailed forecasting will be provided in reports from September month and year to date onwards. Planned savings remain largely on track after two months. Savings have been phased reflecting the months in which they are expected to be achieved. • Te Whatu Ora now has visibility of the full Capital programme inherited from previous DHBs, Shared Services agencies and the MOH with enterprise reporting in place. Functional asset portfolios have responsibility to implement the Capex plan within available funding and delegated authorities have been set to ensure expenditure is appropriately approved. A full Capital plan has been developed for 2023/24 with adequate financing, thus

			enabling supplier obligations to be met. Improvements in cashflow forecasting have been implemented and cash is being managed and monitored centrally, ensuring that all financial obligations are met on a timely basis. Cash is also being managed to optimise interest earnings.

5 Financial Monthly Highlights

The operating result for the month is a $20m surplus, $2m favourable to budget. The year to date result is a surplus of $32m, $20m favourable to budget.

Closing cash for Te Whatu Ora at the end of October was $1.736b, excluding trusts.

The underlying planned budget for the year is forecast to be achieved. Detailed forecasting work is underway and will be informed by funding expected from the Crown for pay equity settlements and associated expenditure as well as assessment of COVID19 stock write offs required. An updated forecast will be provided in reports from January month-end onwards.

Planned savings of $129.77m were achieved for the year to date to 30 November 2023, against a phased target of $203.98m. While planned savings reported are below target, we forecast that the overall savings envelope of $541m planned for the year will be achieved including new savings that offset those not achieved. We are reviewing the savings reporting to include additional and unplanned savings being realised.

Key trends over the 17 months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. These are offset by use of overtime, locum and external agency staff.

Other key highlights in our financial operations are as follows:

- We have reduced our month end reporting timeframe down to achieve a day ten Board report, supported by 100 percent of the sector's financial data with full consolidation achieved within this timeframe.
- We have implemented a Snowflake database across all key Oracle financial database tables and connecting to business Qlik intelligence tools. The integrated database outside of FPIM has enabled us to implement routine functional reporting to reflect our hierarchical structure. We are now able to deliver 95% of the organisation's financial information to our community at transactional level daily. This will increasingly enable financial decisions to be made in alignment to the functional operating models and leadership for four functions.
- We have deployed Qlik Financial Business Intelligence applications to four districts (Nelson Marlborough, Hawkes Bay, South Canterbury, and Whanganui) with more planned for February 2024.
- We have completed our first CFIS five-year forecasts, monthly forecast track and actual monthly submissions on time for The Treasury. We have produced our first five year forecast projections of funding and expenditure assumptions and track to inform Budget 2024.
- We are developing Workday Adaptive (Financial Planning Tool) to provide a systematised view of Budget 2024/25.
- We have achieved borderless teams between the FPIM Programme & Data teams, Reporting, Costing & Standards and Financial Services to ensure the right resource is available to key priorities and projects for finance.

16 January 2024

Te Whatu Ora
Health New Zealand

Monthly Finance Report

November 2023

Cash Flows & Balance Sheet - October

Te Whatu Ora
Health New Zealand

Cash Flows From Operating Activities	($M)
Cash was provided from:	
Appropriations	9,260
Other Government	1,700
Receipts from Customers	240
Interest Received	69
	11,269
Cash was applied to:	
Payments to Employees	5,251
Payments to Hospital Suppliers	2,250
Payments to Community Providers	3,870
	11,371
Net Cash Flows from Operating Activities	**(102)**
Cash Flows From Investing Activities	
Cash was provided from:	
Equity Injections re Capital	510
Cash was applied to:	
Purchase of Property, Plant and Equipment	613
Net Cash Flows from Investing Activities	**(103)**
Net Cash Flows from All Activities	**(205)**
Cash at Beginning of Year	2,043
Cash at 30 November	**1,838**
Represented By	
BNZ Sweep account	1,765
Term Deposits	28
Districts' Trusts and Other Accounts	45
	1,838

Group Balance Sheet as at 30 November 2023	($M)
Current Assets	
Cash - BNZ Sweep	1,765
Cash - Trusts and Other Accounts	45
Term Deposits	28
Short-Term Investments	30
Prepayments	218
Debtors	742
Inventory	394
	3,222
Current Liabilities	
Creditors	2,056
Income in Advance	72
GST Input/Output Adjustments	224
Payroll Accruals	517
Employee Entitlements	1,017
Annual Leave Accrued	3,036
	6,922
Net Working Capital	**(3,700)**

(Cont) Group Balance Sheet as at 30 November 2023	($M)
Non Current Assets	
Land	1,720
Buildings and Plant	8,894
Clinical Equipment	675
Other Equipment	140
Information Technology	100
Software	284
Motor Vehicles	21
Work in Progress	1,994
Investments in Subsidiaries and Associates	4
Long Term Investments	114
Other	5
	13,951
Non Current Liabilities	
Employee Entitlements - Non Current Portion	298
Term Loans	96
Restricted Trusts and Special Funds	96
Other	5
	495
Net Funds Employed	
Crown Equity	8,545
Capital Injections	510
Revaluation Reserve - Land	1,637
Revaluation Reserve - Buildings	5,537
Other	5
Retained Earnings	(6,478)
	9,756

Overview – Chief Financial Officer

Key Points

The operating result for the month is a $20m surplus, $2m favourable to budget. The year to date result is a surplus of $32m, $20m favourable to budget.

Closing cash for Te Whatu Ora at the end of October was $1.736b, excluding trusts.

The underlying planned budget for the year is forecast to be achieved. Detailed forecasting work is underway and will be informed by funding expected from the Crown for pay equity settlements and associated expenditure as well as assessment of COVID19 stock write offs required. An updated forecast will be provided in reports from January month-end onwards.

Planned savings of $129.77m were achieved for the year to date to 30 November 2023, against a phased target of $203.98m. While planned savings reported are below target, we forecast that the overall savings envelope of $541m planned for the year will be achieved including new savings that offset those not achieved. We are reviewing the savings reporting to include additional and unplanned savings being realised.

Key trends over the 17 months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. These are offset by use of overtime, locum and external agency staff.

Key issues, risks & work plan

The two most significant financial risks faced by Te Whatu Ora in the current year remain the risk around Collective employment settlement agreements above budgeted and funded levels and inflationary pressures.

We are continuing to prepare for Budget 2024 with a view to demonstrating to central agencies our capability to plan and provision over a multi-year period. The five-year financial forecast and scenario model developed will continue to be updated as we receive new information on the Government's priorities or new initiatives.

Capital Expenditure (Capex) for the year-to-date Oct-23 shows $453m spend against a budget of $754m, mainly reflecting progress on the Capex plan carried forward from last year. Work is progressing on implementing the 2023/24 Capex plan approved by the Board in October 2023.

Roll out of the FPIM system continues with 25 components now migrated. There are two districts (Lakes and Tairawhiti) and two shared service agencies (Healthshare and Central TAS) yet to be migrated onto FPIM and these will be completed by June 2024.

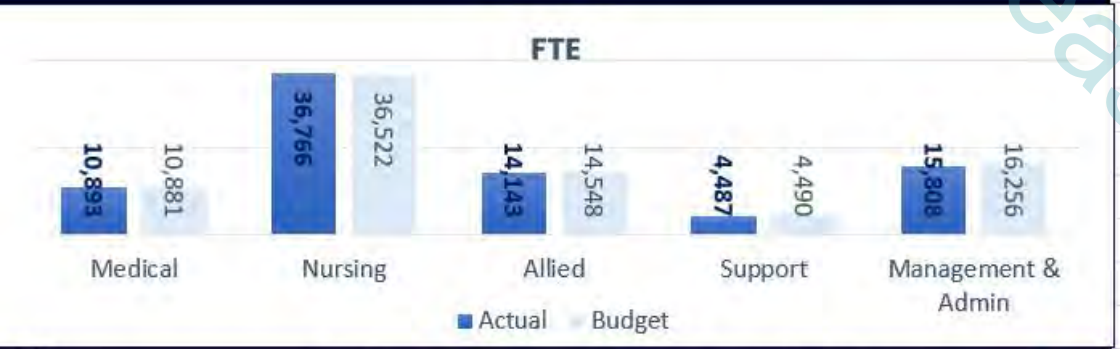
Te Whatu Ora
Health New Zealand

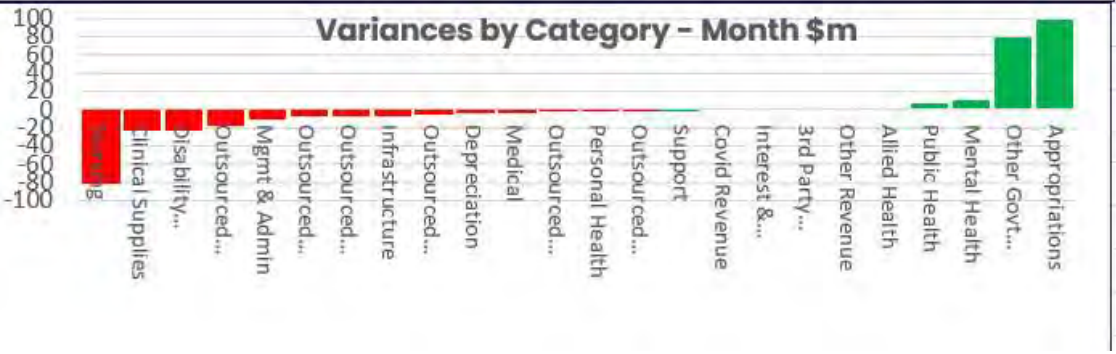
Finance Dashboard: November 2023

Result	Actual $m	Budget $m	Variance $m
Month	20	18	2
YTD	32	12	20

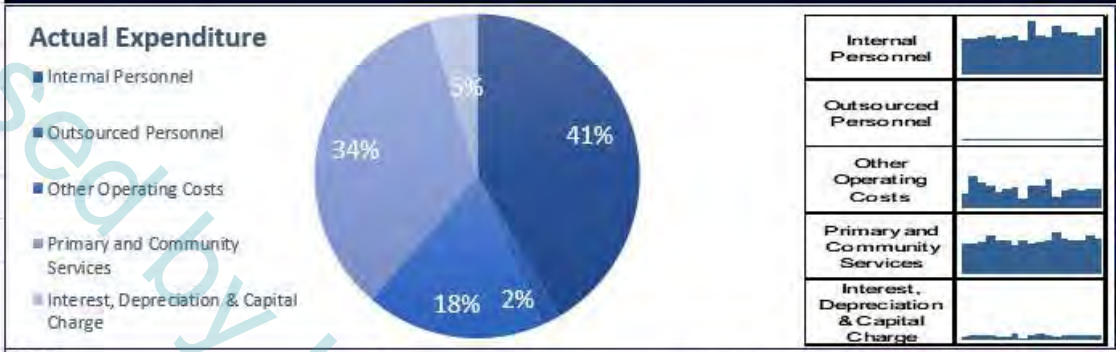
Staffing	Actual	Budget	Variance
FTE Month	82,096	82,697	601
$m Month	1,024	930	(94)

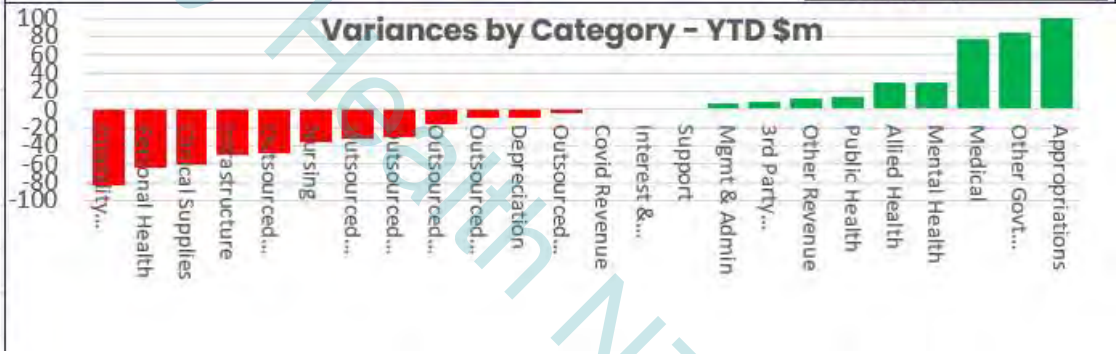
Month





YTD





Statement of Financial Performance

Te Whatu Ora
Health New Zealand

Total Group Result ($Millions)	Month			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
Revenue								
Appropriations	2,033	1,935	98	9,883	9,690	193	7,954	23,239
Other Government Revenue	294	214	80	1,154	1,070	84	806	2,564
Third Party Revenue	6	5	1	36	27	9	23	72
Other Revenue	38	37	1	197	184	13	123	432
Total Revenue	**2,371**	**2,191**	**180**	**11,270**	**10,971**	**299**	**8,906**	**26,308**
Expenditure								
Internal Personnel								
Medical Personnel	257	253	(3)	1,214	1,292	78	910	3,096
Nursing Personnel	479	398	(81)	2,057	2,021	(36)	1,268	4,825
Allied Health Personnel	117	118	1	572	601	29	445	1,444
Support Personnel	30	29	(0)	147	148	1	112	354
Management & Admin Personnel	142	132	(10)	679	686	7	569	1,622
Total Internal Personnel	**1,024**	**930**	**(94)**	**4,670**	**4,749**	**79**	**3,304**	**11,340**
Outsourced Personnel								
Medical Personnel	18	10	(8)	84	52	(32)	54	117
Nursing Personnel	6	1	(5)	20	5	(15)	10	11
Allied Health Personnel	3	1	(3)	14	4	(10)	6	11
Support Personnel	2	1	(1)	7	3	(4)	4	7
Management & Admin Personnel	20	12	(8)	90	60	(30)	80	146
Total Outsourced Personnel	**49**	**24**	**(24)**	**214**	**124**	**(90)**	**154**	**291**

National Commentary – Consolidated Financials

<u>November Month and Year to Date</u>
The YTD net operating result is $20.3m favourable to budget.

Key upsides for the month and year to date are in revenue relating to pharmacy co-payment removal and pay equity funding. Staffing costs, mainly medical and allied are favourable due to vacancies.

Overspends for the month and year to date relate to:

- Clinical supply cost increases above budgeted inflationary levels,
- infrastructure costs relating primarily to the enable subsidiary and community contracts for pay disparity expenditure and pharmacy co-payment removal (both offset by revenue).

Statement of Financial Performance (cont)

Te Whatu Ora
Health New Zealand

	Month			Year to Date			YTD	Full Year
Total Group Result ($Millions)	**Total Actual**	**Total Budget**	**Variance**	**Total Actual**	**Total Budget**	**Variance**	**Last Year Actuals**	**Budget**
Other Operating Costs								
Outsourced Services	82	64	(18)	378	329	(49)	540	781
Clinical Supplies	198	175	(24)	946	886	(59)	951	2,135
Infrastructure & Non-Clinical Supplies	131	124	(7)	670	620	(50)	570	1,505
Total Other Operating costs	**411**	**363**	**(48)**	**1,994**	**1,835**	**(158)**	**2,060**	**4,422**
Primary and Community Services								
Personal Health	466	464	(2)	2,371	2,307	(64)	1,795	5,526
Mental Health	58	68	10	308	338	30	205	819
Disability Support Services	216	193	(23)	1,045	963	(82)	753	2,348
Public Health	17	24	7	104	118	15	233	277
Total Primary and Community Services	**756**	**748**	**(8)**	**3,828**	**3,726**	**(102)**	**2,986**	**8,970**
Interest, Depreciation & Capital Charge								
Depreciation	74	70	(4)	350	341	(9)	247	846
Interest & Capital Charge	36	37	0	183	183	0	141	440
Total Interest, Depreciation & Capital Charge	**110**	**107**	**(4)**	**533**	**525**	**(8)**	**387**	**1,286**
Total Expenditure	**2,350**	**2,172**	**(178)**	**11,238**	**10,959**	**(279)**	**8,891**	**26,308**
Net Surplus/(Deficit) from Operations	**20**	**18**	**2**	**32**	**12**	**20**	**15**	**0**

2023/24 Capital Expenditure (Capex) Report

Capex performance is summarised in the table below. Adjustments to the approved Capex budget reflect new Capex items funded by donations/trust funds. Year end Capex forecast is less than planned reflecting on-going reviews of Capex cashflow phasing and, having considered business case development, approval and procurement processes and timeframes.

Table 1: Consolidated Capex Performance for the (by asset class) for the four months ended 31 October 2023:

Amounts in $ Millions	2023/24 Capex Performance				2023/24 Capex Budget, Adjustments and Forecast				
Asset Category	**Actual**	**Budget**	**Variance**	**Commit-ments**	**2023/24 Budget**	**Budget Changes**	**2023/24 Revised Budget**	**Forecast**	**Amount Phased to outyears**
Clinical Equipment	73.82	109.24	35.42	77.47	385.65	3.17	388.82	373.64	15.18
Facilities	328.61	518.39	189.78	853.71	2,003.52	0.09	2,003.61	1,645.75	357.87
ICT (incl. Software)	43.49	108.67	65.19	44.97	548.49	0.84	549.34	256.47	292.87
Motor Vehicles	2.09	2.88	0.79	0.43	20.32	0.21	20.53	15.98	4.55
Other Equipment	2.87	5.42	2.55	1.60	22.86	1.40	24.27	22.50	1.77
Contingency / Pooled Funds	2.38	9.43	7.05	1.61	52.27	(4.14)	48.14	30.00	18.14
Total	**453.26**	**754.03**	**300.77**	**979.79**	**3,033.13**	**1.58**	**3,034.70**	**2,344.33**	**690.37**
National Capex Pool			0.00		129.50	0.00	129.50	129.50	0.00
National Contingency budget			0.00		50.00	0.00	50.00	50.00	0.00
Total	**453.26**	**754.03**	**300.77**	**979.79**	**3,212.63**	**1.58**	**3,214.20**	**2,523.83**	**690.37**

2023/24 Capital Expenditure (Capex) Report (cont)

Table 2: **Capex Report (by region / district) for the four months ended 31 October 2023:**

Amounts in $ Millions

Region	District	YTD Actual	YTD Budget	YTD Variance	Purchase Order Commitment	Full Year 2023/24 Forecast
Northern	Te Tai Tokerau	3.98	15.82	11.83	0.00	39.11
	Waitematā	73.49	88.89	15.40	207.76	291.41
	Te Toka Tumai Auckland	66.03	110.02	44.00	216.85	306.36
	Counties Manukau	39.95	55.56	15.61	215.04	221.47
Sub-Total		**183.45**	**270.28**	**86.84**	**639.64**	**858.36**
Te Manawa Taki	Waikato	19.15	69.24	50.09	50.37	173.78
	Hauora a Toi Bay of Plenty	8.29	14.38	6.09	8.45	55.54
	Lakes	5.50	12.43	6.93	4.99	53.23
	Tairawhiti	0.73	8.83	8.10	0.00	0.73
	Taranaki	43.07	56.60	13.53	161.66	170.48
Sub-Total		**76.73**	**161.48**	**84.74**	**225.47**	**453.77**
Central	Te Matau a Maui Hawkes bay	3.98	9.46	5.48	8.64	45.94
	Whanganui	3.86	4.54	0.68	2.85	24.53
	Te Pae Hauora o Ruahine o Tararua	14.69	49.51	34.82	18.93	103.13
	Wairarapa	0.30	0.50	0.20	0.05	8.71
	Hutt Valley	8.15	11.90	3.75	0.00	45.21
	Capital & Coast	28.55	30.50	1.95	20.14	90.01
	Central Region TAS	0.00	0.00	0.00	0.00	0.00
Sub-Total		**59.52**	**106.40**	**46.88**	**50.61**	**317.54**
Te Waipounamu	Nelson Marlborough	5.16	12.49	7.33	0.00	52.52
	Te Tai o Poutini West Coast	1.43	2.66	1.23	1.92	10.40
	Waitaha Canterbury	24.99	29.09	4.10	6.49	110.05
	South Canterbury	1.63	3.26	1.63	0.00	14.37
	Southern	8.08	13.58	5.49	11.89	64.90
	Brackenridge Estate Ltd	0.00	0.40	0.40	0.00	0.00
	Canterbury Linen Services	0.00	0.05	0.05	0.00	0.00
Sub-Total		**41.30**	**61.53**	**20.23**	**20.30**	**252.23**
National	National Data & Digital	41.82	106.42	64.60	43.76	249.12
	IIG	50.44	47.92	(2.52)	0.00	213.32
Sub-Total		**92.26**	**154.34**	**62.08**	**43.76**	**462.44**
Total		**453.26**	**754.03**	**300.77**	**979.79**	**2,344.33**
National Capex		0.00	0.00	0.00		129.50
National		0.00	0.00	0.00		50.00
Total		**453.26**	**754.03**	**300.77**	**979.79**	**2,523.83**

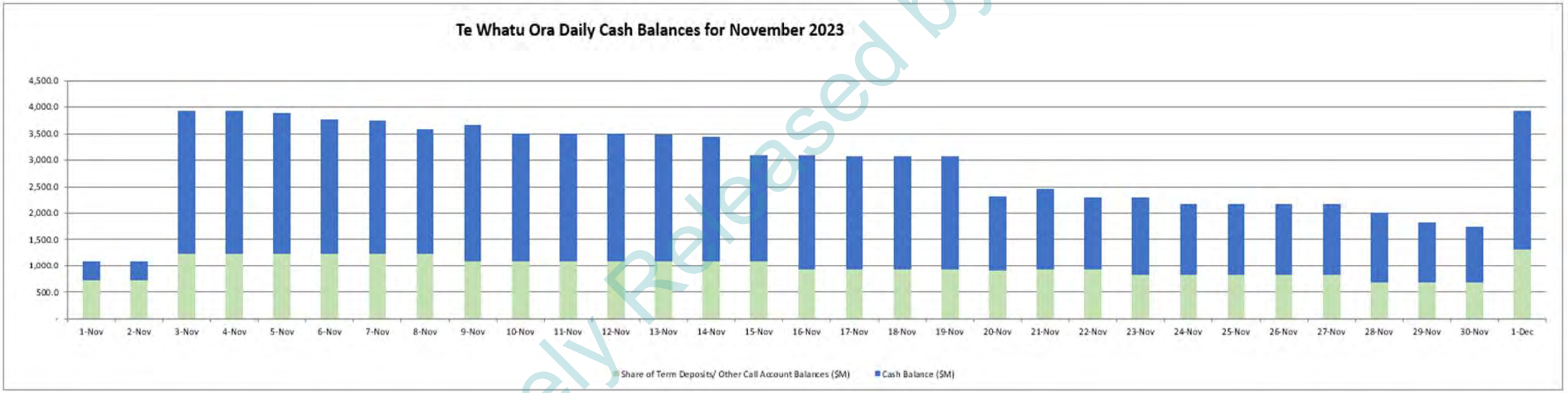
Cash Balances (cont)

Te Whatu Ora
Health New Zealand

Te Whatu Ora Daily Cash Balances for November 2023

Balance at 30/11/2023 $1736.3m

Date	1-Nov	2-Nov	3-Nov	4-Nov	5-Nov	6-Nov	7-Nov	8-Nov	9-Nov	10-Nov	11-Nov	12-Nov	13-Nov	14-Nov	15-Nov	16-Nov	17-Nov	18-Nov	19-Nov	20-Nov	21-Nov	22-Nov	23-Nov	24-Nov	25-Nov	26-Nov	27-Nov	28-Nov	29-Nov	30-Nov	1-Dec
Cash Balance ($M)	366.8	359.2	2,689.5	2,689.6	2,668.2	2,546.7	2,519.4	2,354.8	2,573.3	2,398.3	2,398.4	2,398.4	2,379.8	2,352.8	1,998.8	2,169.5	2,139.5	2,139.6	2,139.6	1,410.0	1,539.4	1,376.1	1,457.0	1,340.3	1,340.3	1,340.4	1,338.7	1,325.8	1,138.4	1,054.4	2,615.3
Share of Term Deposits/ Other Call Account Balances ($M)	727.6	728.4	1,231.3	1,231.3	1,231.1	1,230.0	1,230.1	1,228.8	1,096.1	1,094.1	1,094.2	1,094.2	1,093.8	1,093.9	1,089.0	927.3	927.1	927.1	927.1	915.3	928.3	926.0	830.5	828.9	828.9	828.9	829.9	686.3	683.2	681.9	1,308.7
Te Whatu Ora Total Treasury Balance ($M)	1,094.4	1,087.5	3,920.8	3,920.9	3,899.3	3,776.7	3,749.5	3,583.7	3,669.4	3,492.5	3,492.5	3,492.6	3,473.7	3,446.7	3,087.7	3,096.7	3,066.6	3,066.6	3,066.7	2,325.3	2,467.8	2,302.1	2,287.4	2,169.2	2,169.2	2,169.3	2,168.6	2,012.1	1,821.6	1,736.3	3,924.0



Comments:

- Te Whatu Ora treasury balance of $1.736bn at 31 Oct 2023 is slightly less than $1.79 bn at 30 Sep 2023.
- Short-term deposits amounting to $0.87bn maturing within three months are included in the above cash balance.

Paid Full Time Equivalents – budget vs actual, YTD

	Month				Year to Date			YTD	Annual
	Total Actual	Total Budget	Variance		Total Actual	Total Budget	Variance	Last Year Actuals	Budget
FTE									
Medical Personnel	10,893	10,881	(12)		10,686	10,780	94	10,339	10,958
Nursing Personnel	36,766	36,522	(244)		36,593	36,548	(45)	34,465	36,503
Allied Health Personnel	14,143	14,548	404		13,980	14,445	465	13,846	14,625
Support Personnel	4,487	4,490	3		4,462	4,508	46	4,316	4,476
Management & Admin Personnel	15,808	16,256	448		15,825	16,272	447	16,080	16,245
	82,096	**82,697**	**601**		**81,546**	**82,553**	**1,007**	**79,046**	**82,806**

Commentary:

Medical and Allied Health staff are under FTE budgets YTD due to vacancies.

Nursing FTE are over budget for the month reflecting filling of vacancies in some parts of the country, leave cover, safe staffing levels and overtime, but overall within budget YTD.

Management and Admin personnel are below budget YTD due to reform savings initiatives and holding vacancies.

Note that all clinical staffing categories have higher actual paid FTEs than for the same period 12 months ago and management and admin FTEs are lower.

Note: Internal Personnel are staff employed directly by Te Whatu Ora, outsourced personnel are people not directly employed who are paid via agencies and individual contracts.

February 2024 Documents

Date	Title	Decision on release
2 February 2024	Letter – MoH, *Expectations of the Board*	Some information withheld under the following sections of the Act: • Section 9(2)(f)(iv), as its release would harm the orderly and effective conduct of executive government decision making processes. • Section 9(2)(g)(i) to protect free and frank expression of relevant staff, ensuring they are able to convey their unguarded opinions in future, which is a core part of their role. • Section 9(2)(j) to enable Health NZ to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).
4 February 2024	Letter – HNZ, *Response to letter regarding expectations of the Board*	Some information withheld under section 9(2)(f)(iv), active consideration, as its release would harm the orderly and effective conduct of executive government decision making processes.
9 February 2024	Letter – OAG, *Audit for the year ended 30 June 2023*	Released in full.
15 February 2024	HNZ00037143-Aide Mémoire – *Monthly Performance Reports*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – Excerpt provided under section 16(1)(e) of the Act • Page 19, Financial Monthly Highlights **Appendix 2** – Released in full. **Appendix 3** – Withheld in full as out of scope. Document does not contain any financial information.
N/A	Letter – MoF, *Delivering Fiscal Sustainability*	Released in full.

22 February 2024	Letter – HNZ, *Delivering Fiscal Sustainability*	Some information withheld under section 9(2)(f)(iv), active consideration, as its release would harm the orderly and effective conduct of executive government decision making processes.
29 February 2024	HNZ00039251- Aide Mémoire – *Monthly Report to Minister*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – Excerpt provided under section 16(1)(e) of the Act • Pages 18 - 19, Financial Monthly Highlights **Appendix 2** – Released in full. **Appendices 3 and 4** – Withheld in full as out of scope. Document does not contain any financial information.

MANATŪ HAUORA
MINISTRY OF HEALTH

~~BUDGET SENSITIVE~~

133 Molesworth Street
PO Box 5013
Wellington 6140
New Zealand
T+64 4 496 2000

2 February 2024

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

Dear Dame Karen

Expectations of the Board

Thank you for the invitation to your Board meeting last week.

I am writing to follow up on the Minister of Health's directions.

Ensuring clarity of roles following our meeting with him and the Minister of Finance

As HNZ's monitoring department, Manatū Hauora | the Ministry of Health (the Ministry) has a statutory obligation to monitor HNZ's performance and act as the Minister's agent. Our primary role is to advise the Minister on HNZ's performance and effectiveness, including advice on the merit of HNZ requests for additional funding, as well as monitoring financial and other risks, and keeping the Minister informed of those risks.

The Minister was directive about supporting the Ministry as monitor. This includes the Ministry:

- seeing papers before going to the Minister
- receiving timely information, such as for the Budget process, and
- having access to Board papers.

During the Health Joint Ministers' meeting yesterday, the Minister of Health expressed concern about the Ministry's access to information in regard to Board papers. I am mindful to set up a process that is not overly arduous. I will be asking my team to liaise with HNZ to set up a process that works for all.

Budget 2024

We all want to ensure that final Cabinet decisions at Budget 2024 support a sustainable health system. To support quality decision-making by Ministers, we need to have:

- constructive engagement, including timely consultation on HNZ material with the Ministry, and

- a final set of initiative templates that are credible, robust and support quality decision-making by Ministers.

As the Budget package develops, there will be considerable scrutiny by the Treasury and by Ministers. This reflects the proportion that Vote Health is likely to consume of the operating allowance, the fiscal environment, known cost pressures in other Votes, and the already vastly over-subscribed Budget 2024 operating allowance.

There are number of risks to Vote Health if our processes are not followed and deadlines are not met:

- in the absence of credible and defendable information to underpin the bid – the Vote Health cost pressure uplift will be less than is needed to deliver health services and support the health system, and/or
- either multi-year funding will not proceed or it will be in place with onerous risk mitigations.

As you will be aware, final Budget 2024 advice and initiative templates are due to be submitted by 16 February 2024. We are still looking to gain sufficient depth, breadth and consistency of information to underpin the health system cost pressures bid.

We have been working with HNZ to support closing the information gaps for Budget 2024, but there is still information outstanding. We were due to send our final Budget 2024 advice on Thursday 8 February, however as we are only receiving final information on Wednesday 7 February (which had been expected in January 2024), this will be moving to Friday 9 February 2024. By that date, our final advice on Budget 2024 will be informed by the information we have at hand, so the coming days will be critical to closing those information gaps.

I note that both the Minister of Finance and the Minister of Health expressed disappointment in the savings identified by HNZ. The Minister of Finance reflected on Vote Health's size of government expenditure and shared her concern at the "very blunt" nature of HNZ's plans to slow cost growth.

The Minister of Health is clearly focussed on identified savings options from within contingencies and Budget 2022 initiatives (see more detail below). I note that we are still awaiting the key information from HNZ on progress and options to scale back, defer or stop Budget 2022 initiatives especially where they do not align with this Government priorities or little or no investment has been made to date; it is my expectation that HNZ shares this information with the Ministry by 12pm Monday 5 February 2024.

Contingencies and Budget 2022

Following your update at the Health Joint Ministers' meeting on your progress against the Budget 2022 initiatives and commitments made on any unspent funds, the Minister of Health has indicated his preference to not progress some of the programmes that are not clearly aligned with Government priorities with a view to reprioritise this funding.

As noted above, we are still awaiting key information on progress and options to scale back, defer or stop Budget 2022 initiatives. In the meantime, the Minister expects that HNZ take steps to pause, where practicable:

- initiatives where there is limited progress and expenditure committed to date – therefore there is an opportunity to reassess the programme, including:
    - s 9(2)(f)(iv)
- initiatives where the programme has not started – therefore there is an opportunity to reassess the programme and the level of investment, including:
    - s 9(2)(f)(iv)

Capital and new Dunedin Hospital

The Minister has confirmed that he would like to put forward a Cabinet paper providing options s 9(2)(j)

As part of the discussion on savings, including the use of contingencies, the Minister discussed data and digital. For infrastructure investments (including data and digital), it is important that the Ministry has access to sufficient information on these proposals and can provide feedback they develop. We expect that these projects are appropriately prioritised, including decisions on scoping and phasing (for example, on Hira).

This will also mean the Board will be informed of our perspective as it makes its decisions and will strengthen the advice to Ministers. We are also seeking more active advice on your monitoring of projects, as the level of reporting does not currently give sufficient insight for the Ministry to give assurance to Ministers on HNZ management of projects and risks.

s 9(2)(g)(i)
.

Thank you for support in this work.

Yours sincerely

Dr Diana Sarfati
Director-General of Health

cc: Fepulea'i Margie Apa, Chief Executive, Health New Zealand

Te Whatu Ora
Health New Zealand

Dr Diana Sarfati
Director-General of Health
Diana.Sarfati@health.govt.nz

cc Hon Dr Shane Reti
Minister of Health
Andrea.Harris@parliament.govt.nz

4 February 2024

Tēnā koe Di

Response to letter regarding expectations of the Board

Thank you for your letter on 2 February.

Given the urgency expressed in your letter, I wanted to provide a timely response. The Board will discuss your letter as a matter of priority and will likely wish to further explore some of the issues directly with you.

As your letter sets out the Minister of Health's directions, I have also copied the Minister into my response.

Role of the Ministry – We are clear on the importance of the Ministry's monitoring role, and of the important role we have in sharing information to enable the Ministry to effectively do its work. We are fully committed to ongoing improvement in that interface, and appreciated your comments in the recent board meeting about a reset within the Ministry. We have both learnt much from our first full year of the new system settings, and this has helped us shape arrangements so far. With the further planned changes ahead following the disestablishment of Te Aka Whai Ora, there will be a need to continue to develop how we work effectively together, cognisant of respective roles. We look forward to further discussing this with Simon Medcalf and yourself, including the matters of Board paper provision and reporting on infrastructure projects.

Budget 24 process – Like you, we are very focused on continuing to support the Budget 24 process as best as we can. I understand our team has been both open and apologetic about delays in some milestone submissions. I'm confident we also agree how challenging this work is for the first time as an amalgamated health system. To support our joint effectiveness from here, I would appreciate your team providing very specific and clear questions or concerns when these emerge. It is also important these are quickly escalated if needed. I am pleased to hear further in-depth engagement is urgently occurring on detail between our key people.

Savings options – We have been and remain clear on the need to look further at savings options, including potential alternative uses of contingency funds and uncommitted amounts from Budget 22 initiatives. Savings absolutely need to be found – we have done that to date and continue to do so – balanced against significant underlying cost pressures in the system, including legacy issues that we are now in a stronger position to face up to as a system, though they will take time to address. The Ministry itself also has a strong role to play in managing cost pressures across the system; we remain interested in better understanding the Ministry's work programme for policy and regulatory change.

Contingencies and Budget 22 – We note the Minister's interest in reprioritising funding from some Budget 22 programmes that are not clearly aligned with Government priorities. We will review the specific list provided as a matter of urgency and revert to you with comments on each initiative. We need to consider practicalities and timeframes for pausing or stopping, and be open with you if we have a different view.

Capital and infrastructure – A draft of the Cabinet paper related to New Dunedin Hospital is already with the Ministry for review. The Board will continue a strong focus on managing risk across our payroll systems, noting your comment about whether HIRA is stopped to provide additional resource. We will provide further briefing on the complexities and timeframe of replacing multiple legacy payroll systems; this is a multi-year programme of work (both risk management of existing and system development of new), and not a simple matter of a single investment. s 9(2)(f)(iv) We will also be reviewing other investments within the portfolio – including Hira – to determine the overall investment plan for digital infrastructure.

In closing, running through your letter are considerations related to the respective roles of the Minister, Board and Ministry. This can be a tricky matter, though a very important one to ensure legal robustness in our collective processes and decisions. It is healthy, in my view, to be clear and open about decision-making roles, including formality about when Health New Zealand is being directed.

Thank you again for your letter. I hope this response gives you assurance that we have heard the key messages and are very focussed on advancing the necessary work. The Board will be keen to further engage with you on these matters in the near future.

Ngā mihi maioha

N. Ferguson

Naomi Ferguson
Acting Chair

OFFICE OF THE AUDITOR-GENERAL
Te Mana Arotake

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Website: www.oag.parliament.nz

9 February 2024

Our Ref: EN/CEO/3-0105

Hon Dr Shane Reti
Minister of Health
Parliament Buildings
WELLINGTON

Tēnā koe Dr Reti

TE WHATU ORA – HEALTH NEW ZEALAND: AUDIT FOR THE YEAR ENDED 30 JUNE 2023

This letter sets out the main findings of our audit of Te Whatu Ora – Health New Zealand (Health NZ) for the year ended 30 June 2023. We have included, as an attachment, the more detailed results of the audit.

Audit Context

The findings from the 2022/23 audit, the first of the new organisation, should be considered in the context of a complex, large scale, and multi-year transformation.

Health NZ was created as part of a fundamental reform of the health sector, which the Pae Ora (Healthy Futures) Act 2022 gave effect to on 1 July 2022. Health NZ has had to amalgamate the functions and staff from 28 agencies, including 20 former District Health Boards (DHBs). In the process, it assumed responsibility for about 80,000 staff, 1700 data and information technology projects, and 190 capital projects.

Over the course of the year we audited, Health NZ had to rely on the systems of the 20 DHBs while trying to create systems, policies, and processes suitable for the running of an integrated national health agency. At the same time as this, Health NZ had to ensure that New Zealand's health services dealt with the ongoing effects of Covid-19, winter illness, and continuing workforce challenges.

With that context in mind, Health NZ has made progress in many areas but, naturally, a lot remains to be done.

Audit report

There were a number of adjustments to the draft financial statements provided for audit. Although these generally reflected changing circumstances, they also included a partial accrual of a pay settlement that affected the 2022/23 financial year. As a result of the audit, the accrual was fully recognised to comply with accounting standards.

We issued a non-standard audit report for the year ended 30 June 2023. The report is non-standard for two reasons.

First, it includes a modified opinion on one aspect of the performance information - cardiac surgery waiting times. The reason for this was that two former districts did not maintain records which allowed verification of the reported data. Aside from this one measure, we were satisfied that all other performance information is fairly stated in the Annual Report.

Second, we included in our audit report an "emphasis of matter" paragraph[1] related to the budget figures included in the financial statements. Health NZ was required to compare actual results to forecast financial statements prepared at the start of the financial year. However, Health NZ compared its results to forecasts published on 23 June 2023, a week prior to year-end. The financial statements include information (note 26 on pages 286-289) on this matter which our emphasis of matter paragraph references.

Our audit report otherwise includes an unmodified opinion on the financial statements of Health NZ. This means we were satisfied that the information we audited presents fairly Health NZ's financial performance, cash flows, and its financial position at the end of the year.

Other significant issues

Provision for remediation of holiday pay entitlements

Health NZ recognised a $2.1 billion provision at 30 June 2023 to remediate errors associated with calculating holiday pay entitlements under the Holidays Act 2003.

We acknowledge the progress made by Health NZ in calculating this liability. However, there is continued non-compliance with the Holidays Act 2003 as some payroll systems remain unable to accurately calculate holiday entitlements. Since 30 June 2023, some payments have begun to be made to current employees. We continue to recommend that the matter is brought to a conclusion and all current and former employees receive payments due as soon as practicable.

This is also a matter that is reported in our opinion on the Financial Statements of the New Zealand Government and in our report to Parliament on our findings from public sector audits.

Control environment

We assessed and graded all three aspects of Health NZ's control environment as Needs Improvement[2].

With regard to the management control environment, our recommendations covered legislative compliance, a fraud risk assessment, and the role of the Finance and Audit Committee. For financial information systems and controls, our recommendations focused on information technology controls. For performance information and associated systems and controls, we recommended improvements to performance reporting (to the framework, explanations of performance, and sub-national reporting) and highlighted problems with the cardiac surgery measure (see above).

Other matters

The attachment to this letter provides information about other matters arising from the 2022/23 audit. These include procurement, commissioning and contract management, asset management, and financial information systems and controls.

Response by Health NZ to the issues raised

Health NZ has accepted the findings and recommendations, noting that progress has continued to be made since the audit was undertaken. We will review the progress made as part of our 2023/24 audit.

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[1] An emphasis of matter is not a qualification but is used to point out areas where the auditor is highlighting a matter that would help a reader interpret the information presented in the financial statements.

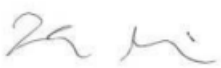
[2] A reference to how we make these assessments is included in the attachment to the letter.

Reporting

We have reported on the results of the audit to Health NZ's Board and Chief Executive. We will report the results to the Health Select Committee as part of the 2022/23 annual review process. As is normal practice, we will also advise the Public Service Commission, the Treasury, the Department of the Prime Minister and Cabinet, and the Ministry of Health.

I am happy to meet with you to discuss the contents of both this letter and the attached information.

Nāku noa, nā



Dr Tobias Nischalke
Sector Manager

ATTACHMENT

Results of the audit of Health New Zealand for the year ended 30 June 2023: Other significant matters noted during the audit

Procurement, commissioning and contract management

1. This is an area of significance for the organisation, and indeed for the health sector as a whole. Health NZ is highly reliant on private, community, and third-party providers for the provision of health services and also for the support of its own corporate functions. It is also an area of significant complexity, reflecting that the previous 20 DHBs had different approaches to procurement and commissioning.

2. The formation of Health NZ provides an opportunity to leverage its buying power. Health NZ has already noted issues including multiple contracts with the same provider, inconsistent pricing and short-term procurement arrangements. A multi-year change process is underway to address these issues.

3. At the time of our assessment of Health NZ's overall procurement, commissioning and contract management arrangements, significant elements of the required work on procurement and commissioning were underway. We would expect to continue to see progress including:

    - Drafting and approving a procurement policy (or policies) to cover all procurement and commissioning activity.
    - Drafting and approving a contract management policy (or include this above) that covers all contract management activity, including both commercial contracts and commissioned services.
    - Reviewing all other policies related to procurement, commissioning and contract management to ensure they are fit for purpose and provide the required direction for staff, including on integrity and ethical issues.
    - Compiling information on the overall pattern of procurement and contracting to inform and enable a more strategic approach than was possible under the previous multiple organisations.
    - Ensuring delivery of a Procurement and Supply Chain strategy.
    - Planning a structured approach to benefits realisation.

Health Sector Agreements and Payments Systems

4. The Health Sector Agreements and Payments (HSAAP) systems enable the management of contracts with third-party service providers. These systems process 120 million claims and $13 billion in payments annually for Health NZ and on behalf of other entities such as Te Aka Whai Ora – Māori Health Authority, the Ministry of Health, and Whaikaha – the Ministry of Disabled People.

5. Some systems are obsolete and increasingly unstable. They sit on infrastructure that is no longer supported by the vendors; rely on manual controls and the knowledge of key staff and supporting contractors; and the honesty of providers in the sector to provide accurate information.

6. We have been highlighting these risks to the Ministry of Health for a number of years (given its previous responsibility for HSAAP). A programme of work commenced in July 2021 to transform these systems so they would be capable of supporting the health sector reforms and to mitigate the growing risk of failure of the current systems.

7. We will continue to monitor progress as part of our future audits.

Asset management

8. Health NZ relies on a significant asset portfolio to deliver health services across the country.

9. We considered Health NZ's asset management arrangements, focussing on the Infrastructure and Investment Group (IIG) which has responsibility for facilities infrastructure.

10. While there is evidence of progress, in our view, it will be important for Health NZ to focus on:

    - documenting comprehensive asset management plans;
    - maintaining comprehensive, up to date asset condition and performance information to support optimal lifecycle asset management planning; and
    - defining clear service levels supported or delivered by the assets and undertaking regular monitoring and reporting against these service levels.

Valuation of buildings

11. Health facilities are key to service delivery. Understanding their condition is therefore a key input into effective planning and budgeting. Health NZ owns a large portfolio of buildings with a carrying value of $9.0 billion at 30 June 2023.

12. We were satisfied that the value of buildings presented in the financial statements is reasonable.

13. We recommended that issues relating to weathertightness, seismic strength, asbestos and/or other contamination should be considered across the entire portfolio of Health NZ's building assets and dealt with consistently and appropriately in 2023/24 valuations.

14. We found impairment assessments and impairment testing were completed and documented inconsistently by Health NZ. We were satisfied that any impairment losses would be immaterial to our overall opinion, but note that relevant accounting standards require consistent assessments to be undertaken.

Financial information systems and controls

15. The continued operation of the system of internal control during any period of change is important to provide assurance about the reliability of financial and service performance information, both for decision making and annual reporting purposes.

16. The transition from the previous entities and functions to Health NZ would have put core systems, processes, and control activities under strain and it was therefore possible that controls may not have continued to be effective to mitigate the risk of fraud and error through this period of change.

17. We did not identify deficiencies in the system of internal control significant to forming our opinion.

18. We also concluded that all General information technology controls (GITCs) were designed and implemented appropriately and were operationally effective for the period under review. However, we note that the former districts are still running their own individual payroll and clinical systems and their own network infrastructure. Specific recommendations for improvement to GITCs are listed under "Financial Information Systems and Controls" below.

Environment, systems, and controls for measuring financial and service performance

19. Our conclusions on the management control environment, systems, and controls for measuring financial and service performance for Health NZ, for the year ended 30 June 2022/23, are set out in the table below.

20. We made our conclusions in the context of our work in forming an opinion on the financial and performance statements. The purpose of commenting on the underlying environment, systems, and controls is to highlight areas for improvement we identified during our audit. The grades assigned for 2022/23 are based on the accountability documents relating to that year. They are not an assessment of overall management performance, or of the effectiveness of Health NZ in achieving its financial and service performance objectives. (For an explanation of the grading scale and underlying scope please see Assessing and grading systems and controls — Office of the Auditor-General New Zealand (oag.parliament.nz))

Management control environment	
2022/23 – Needs improvement	We have recommended that major improvements be made at the earliest reasonable opportunity.
Comment	
The main findings and recommended improvements that we have taken into consideration in determining the grade assigned are: • We understand none of the sub-committees of the Board are reviewing the service performance of Health NZ against the targets that have been set. It would seem appropriate for the Finance and Audit Committee (FAC) to regularly review the service performance information. • A process should be put in place to enable the FAC to exercise scrutiny over key judgements made by management in applying accounting policies and in making accounting estimates, prior to the Board being asked to approve the financial statements. • Health NZ has made a start on completing a fraud risk assessment but needs to complete a comprehensive assessment across the organisation and update this periodically. The fraud risk assessment should be shared with the FAC and the Board and used as an input into the annual Internal Audit Plan/Programme of Work. • Health NZ has yet to introduce a system to enable positive assurance to be provided to senior management and the Board on the organisation's compliance with legislative obligations. Health NZ should put a system and procedures in place to monitor compliance with legislative requirements and provide assurance to senior management and the Board that legislative requirements are being complied with.	

Financial information systems and controls	
2022/23 – Needs improvement	We have recommended that major improvements be made at the earliest reasonable opportunity.

Comment

The main findings and recommended improvements that we have taken into consideration in determining the grade assigned are:

- General information technology controls:
  - password settings should be consistently aligned to good practice;
  - ensure user access settings are regularly reviewed and current; and
  - reconsider business continuity and disaster recovery plans based on the opportunities from an integrated national organisation.
- Policies, procedures, and practice in relation to sensitive expenditure are not in line with current good practice. We found instances where transactions did not comply with policy, they were not coded to the correct account, or they did not follow a "one-up" approval principle:
  - policies should be reviewed and updated to meet current good practice, and management and staff should be suitably trained on the policies and procedures and on exercising judgement as to what is reasonable expenditure;
  - Health NZ should ensure the "one-up" approval principle is followed and appropriate evidence of the approval is retained; and
  - a monitoring and reporting regime should be implemented for sensitive expenditure incurred.
- Systems and processes need to be put in place to identify the related party transactions that are required to be disclosed in the notes to the financial statements.

Performance information and associated systems and controls	
2022/23 – Needs improvement	We have recommended that major improvements be made at the earliest reasonable opportunity.

Comment

The main findings and recommended improvements that we have taken into consideration in determining the grade assigned are:

- Two former districts were unable to provide supporting records for the information on cardiac surgery they submitted during the 2022/23 period. We were therefore unable to verify results to underlying data/records. Point in time information and supporting records should be retained by all areas that carry out cardiac surgery.
- It is important for Health NZ to be able to tell its performance story well. The annual report would benefit from a clear performance framework and an overall summary of where the system is performing well and where it is not across output classes. Having a consistent structure for presenting performance information for each output class would help the reader to understand the performance information.
- There was limited reporting of sub-national performance information in the annual report. Health NZ should continue to expand the number of measures where performance is reported on a sub-national basis to better enable readers to understand the variability that exists, the action(s) Health NZ is undertaking to address any variability and whether progress is being made to reduce this.
- The coverage and depth of the descriptions and explanations of performance, particularly when targets are not met, should be enhanced.

Comment *cont.*
• For a number of measures, only quarter four results were reported. For some other measures, results were only available up to 31 March 2023. Service performance information should be presented for the full year. • National data sets used for reporting service performance information should be reconciled with data sets held in individual patient management systems (at local level) on a regular basis and differences identified and resolved prior to year-end. Health NZ should ensure that listings are comparable across the country.

Aide-Mémoire

Monthly Performance Reports

To:	Hon Dr Shane Reti, Minister of Health	**Reference:**	HNZ00037143
From:	Peter Alsop, Chief of Staff	**Due Date:**	15 February 2024
Copy to:		**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Peter Alsop	**Chief of Staff**	s 9(2)(a)	**X**
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	

Attachments	Appendix 1: December Monthly Performance Report ** Appendix 2: December Financial Report Appendix 3: December Te Pae Tata Milestones Report *

***N.B. Not in scope, no financial information**
**** N.B. Excerpt released under section 16(1)(e)**

Peter Alsop
Chief of Staff

Purpose

1. This Aide-Memoire presents the Health New Zealand | Te Whatu Ora December:

    a. Monthly Performance report (Appendix 1).
    b. Financial Performance Report (Appendix 2).
    c. Interim New Zealand Health Plan | Te Pae Tata milestones report (Appendix 3).

Background / context

1. Our Monthly Performance Report is structured to align with the six key priorities of the Interim New Zealand Health Plan | Te Pae Tata.
2. Data is reported as of 31 December 2023, where available, but otherwise at the latest available date.
3. The Board reviewed and discussed this report at its meeting on 26 January 2024.
4. None of these reports are proactively published – only the Health New Zealand | Te Whatu Ora Quarterly reports are published. You will receive the Quarter 2 (October – December 2023) report in early March 2024.
5. Copies of the December reports have been provided to our monitoring agencies – Ministry of Heath | Manatū Hauora, Te Aka Whai Ora, and the Treasury – and we have discussions with both Te Aka Whai Ora and Ministry of Heath | Manatū Hauora following their review of our reports as part of their monitoring roles.

Next Steps

6. We welcome any questions on, or discussion with you, about our December reports.

5 Financial Monthly Highlights

The operating result for the month of December is a $13m deficit, which is $5m favourable to the budgeted deficit of $18m. The year-to-date result is a surplus of $19m, which is $26m favourable to the budgeted deficit of $7m.

Closing cash for Te Whatu Ora at the end of October was $1.866b, excluding trusts.

The planned budget for the year is forecast to be achieved. Detailed forecasts are being developed, informed by funding expected from the Crown for pay equity settlements and associated expenditure as well as assessment of COVID19 stock write offs required. An update will be provided at the meeting and included in the monthly financial reports moving forward.

Planned savings of $141.3m were achieved for the year to date to 31 December 2023, against a phased target of $248.5m. While planned savings reported are below target, we forecast that the overall savings envelope of $541m planned for the year will be achieved through new savings and other budget offsets being realised. We are reviewing the savings reporting to include additional and unplanned savings being realised.

Key trends over the 18 months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. These are offset by use of overtime, locum and external agency staff.

Te Whatu Ora
Health New Zealand

Monthly Finance Report

December 2023

Cash Flows & Balance Sheet

Te Whatu Ora
Health New Zealand

Cash Flows From Operating Activities	($M)
Cash was provided from:	
Appropriations	11,194
Other Government	2,143
Receipts from Customers	338
Interest Received	89
	13,764
Cash was applied to:	
Payments to Employees	6,228
Payments to Hospital Suppliers	2,834
Payments to Community Providers	4,594
	13,656
Net Cash Flows from Operating Activities	**108**
Cash Flows From Investing Activities	
Cash was provided from:	
Equity Injections re Capital	563
Cash was applied to:	
Purchase of Property, Plant and Equipment	742
Net Cash Flows from Investing Activities	**(179)**
Net Cash Flows from All Activities	**(71)**
Cash at Beginning of Year	2,043
Cash at end of month	**1,972**
Represented By	
BNZ Sweep account	1,902
Term Deposits	28
Districts' Trusts and Other Accounts	42
	1,972

Group Balance Sheet as at 31 December 2023	($M)
Current Assets	
Cash - BNZ Sweep	1,902
Cash - Trusts and Other Accounts	42
Term Deposits	28
Short-Term Investments	30
Prepayments	174
Debtors	529
Inventory	395
	3,100
Current Liabilities	
Creditors	1,788
Income in Advance	70
GST Input/Output Adjustments	266
Payroll Accruals	540
Employee Entitlements	787
Annual Leave Accrued	3,377
	6,828
Net Working Capital	**(3,728)**

(Cont) Group Balance Sheet as at 31 December 2023	($M)
Non Current Assets	
Land	1,720
Buildings and Plant	8,865
Clinical Equipment	677
Other Equipment	140
Information Technology	98
Software	278
Motor Vehicles	21
Work in Progress	2,095
Investments in Subsidiaries and Associates	4
Long Term Investments	115
Other	5
	14,018
Non Current Liabilities	
Employee Entitlements - Non Current Portion	298
Term Loans	95
Restricted Trusts and Special Funds	98
Other	5
	496
Net Funds Employed	
Crown Equity	8,545
Capital Injections	563
Revaluation Reserve - Land	1,637
Revaluation Reserve - Buildings	5,536
Other	6
Retained Earnings	(6,493)
	9,794

Overview – Chief Financial Officer

Key Points

The operating result for the month of December is a $13m deficit, which is $5m favourable to the budgeted deficit of $18m. The year-to-date result is a surplus of $19m, which is $26m favourable to the budgeted deficit of $7m.

Closing cash for Te Whatu Ora at the end of October was $1.866b, excluding trusts.

The planned budget for the year is forecast to be achieved. Detailed forecasts are being developed, informed by funding expected from the Crown for pay equity settlements and associated expenditure as well as assessment of COVID19 stock write offs required. An update will be provided at the meeting and included in the monthly financial reports moving forward.

Planned savings of $141.3m were achieved for the year to date to 31 December 2023, against a phased target of $248.5m. While planned savings reported are below target, we forecast that the overall savings envelope of $541m planned for the year will be achieved through new savings and other budget offsets being realised. We are reviewing the savings reporting to include additional and unplanned savings being realised.

Key trends over the 18 months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. These are offset by use of overtime, locum and external agency staff.

Key issues, risks & work plan

The two most significant financial risks faced by Te Whatu Ora in the current year remain the risk around Collective employment settlement agreements above budgeted and funded levels and inflationary pressures.

Budget 2024 preparations are continuing. The five-year financial forecast and scenario model developed was updated to reflect budget guidance provided by Treasury in December. A separate paper on Budget 2024 is on the Board's agenda for consideration.

Capital Expenditure (Capex) for the year-to-date November 2023 is $667M below the budgeted level, with actual spend at $588m versus a phased budget of $1.255 billion. A review will be completed post December Capex reporting to reconfirm the Capex cashflow forecasts, reflecting on the status of business case development, approvals, procurement and implementation stages of projects. A Capex planning approach is also being developed to implement a longer-term baseline Capex plan from 2024/25 onwards.

Roll out of the FPIM system continues with 25 components now migrated. There are two districts (Lakes and Tairawhiti) and two shared service agencies (Healthshare and Central TAS) yet to be migrated onto FPIM and these will be completed by June 2024.

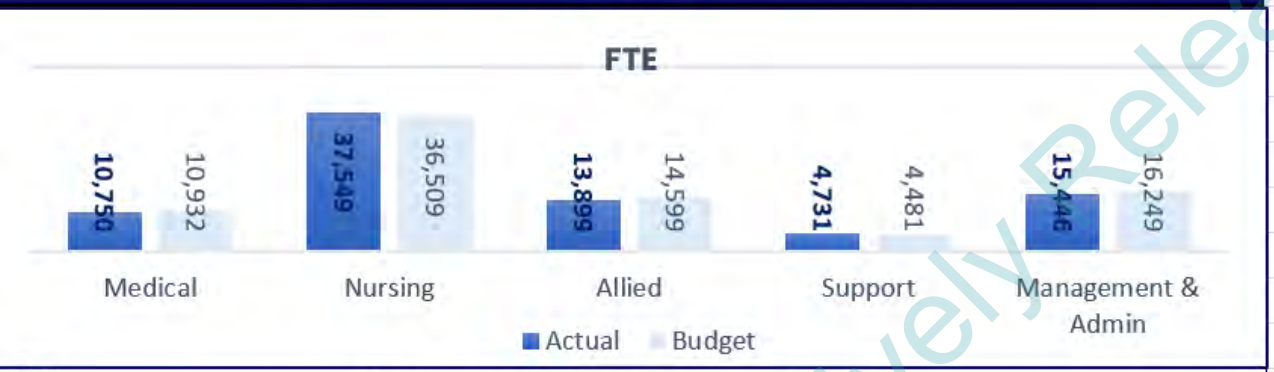
Te Whatu Ora
Health New Zealand

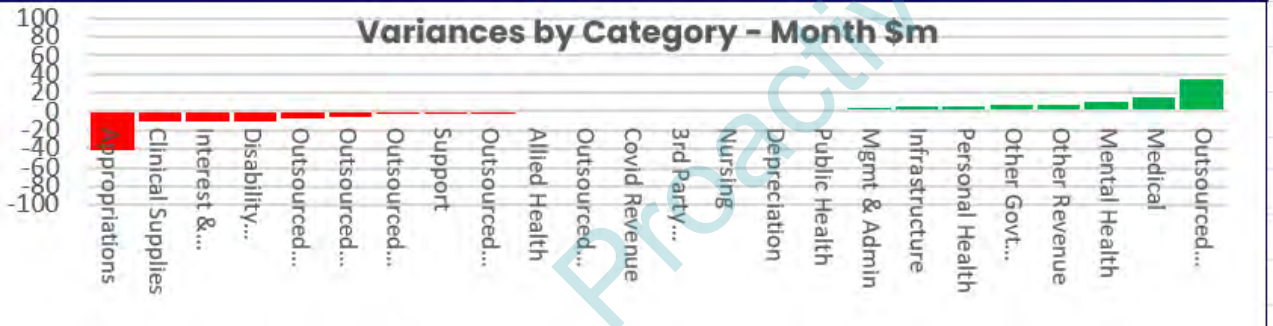
Te Whatu Ora Health New Zealand Finance Dashboard: December 2023

Result	Actual $m	Budget $m	Variance $m
Month	(13)	(18)	5
YTD	19	(7)	26

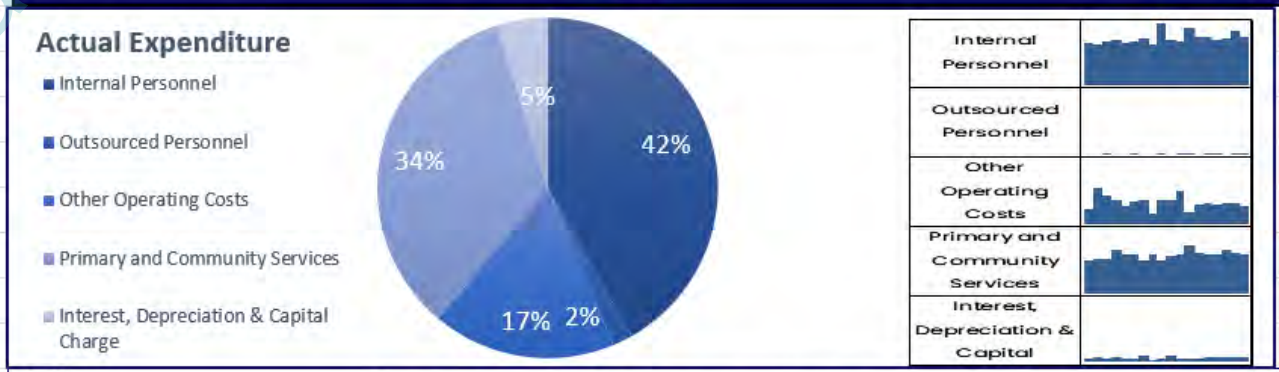
Staffing	Actual	Budget	Variance
FTE Month	82,375	82,770	395
$m Month	939	958	19

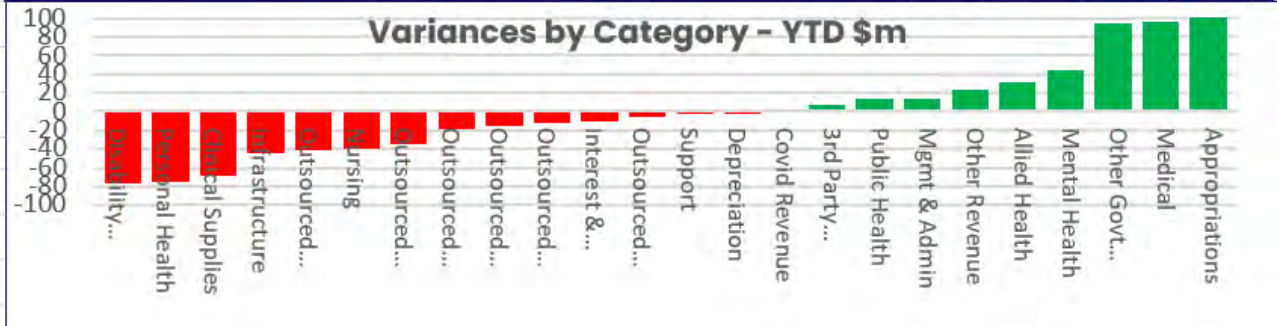
Month





YTD





Statement of Financial Performance

Te Whatu Ora
Health New Zealand

Te Whatu Ora Health New Zealand Group $Millions	Month Total Actual	Month Total Budget	Month Variance	Year to Date Total Actual	Year to Date Total Budget	Year to Date Variance	YTD Last Year Actuals	Full Year Budget
Revenue								
Appropriations	1,894	1,935	(41)	11,777	11,628	149	11,713	23,239
Other Government Revenue	222	214	8	1,376	1,281	95	1,318	2,564
Third Party Revenue	7	6	1	44	36	8	37	72
Other Revenue	44	36	8	241	217	24	220	432
Total Revenue	**2,167**	**2,191**	**(24)**	**13,437**	**13,162**	**276**	**13,288**	**26,308**
Expenditure								
Internal Personnel								
Medical Personnel	246	262	16	1,460	1,556	96	1,392	3,096
Nursing Personnel	405	407	2	2,463	2,424	(39)	1,928	4,825
Allied Health Personnel	123	122	(1)	695	726	31	671	1,444
Support Personnel	32	30	(2)	180	178	(2)	172	354
Management & Admin Personnel	133	137	4	812	826	14	861	1,622
Subtotal	**939**	**959**	**19**	**5,609**	**5,710**	**100**	**5,023**	**11,340**
Outsourced Personnel								
Medical Personnel	16	10	(6)	100	59	(41)	82	117
Nursing Personnel	4	1	(3)	24	5	(19)	17	11
Allied Health Personnel	3	1	(2)	17	5	(12)	10	11
Support Personnel	2	1	(1)	8	3	(5)	6	7
Management & Admin Personnel	19	12	(7)	108	73	(35)	121	146
Subtotal	**43**	**25**	**(19)**	**257**	**146**	**(112)**	**235**	**291**

Commentary - Year to Date (YTD)

The YTD net operating result is $26m favourable to budget.

Key upsides YTD are in:

- Revenue - favourable mainly due to pharmacy co-payment removal and pay equity funding.
- Staffing costs, favourable mainly in medical, allied and management reflecting vacancies. Pay disparity budgets in medical offset costs in community services.

Adverse variances YTD relate to:

- Clinical supply cost increases above budgeted inflationary levels
- infrastructure costs primarily due to the Enable subsidiary and community contracts for pay disparity expenditure and pharmacy co-payment removal (both offset by revenue).
- Personal Health and Disability services unfavourable costs reflect pay disparity costs (with budget offsets in personnel) and drug costs (with offsetting Pharmac revenue).

Statement of Financial Performance (cont)

Te Whatu Ora
Health New Zealand

Group $Millions	Month			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
Other Operating Costs								
Outsourced Services	32	66	34	409	394	(15)	744	781
Clinical Supplies	192	181	(11)	1,138	1,069	(69)	1,335	2,135
Infrastructure & Non-Clinical Supplies	119	124	5	789	744	(45)	880	1,505
Subtotal	**343**	**371**	**28**	**2,337**	**2,207**	**(129)**	**2,959**	**4,422**
Primary and Community Services								
Personal Health	455	461	6	2,826	2,751	(75)	2,509	5,526
Mental Health	58	68	10	366	410	44	312	819
Disability Support Services	206	196	(10)	1,251	1,174	(77)	1,060	2,348
Public Health	20	23	3	124	137	13	367	277
Subtotal	**739**	**748**	**9**	**4,567**	**4,471**	**(95)**	**4,247**	**8,970**
Interest, Depreciation & Capital Charge								
Depreciation	68	70	2	417	415	(2)	406	846
Interest & Capital Charge	48	37	(11)	231	220	(11)	204	440
Subtotal	**116**	**107**	**(9)**	**649**	**634**	**(13)**	**609**	**1,286**
Total Expenditure	**2,180**	**2,210**	**30**	**13,418**	**13,168**	**(250)**	**13,074**	**26,308**
Net Surplus/(Deficit) from Operations	**(13)**	**(18)**	**5**	**19**	**(7)**	**26**	**214**	**0**

2023/24 Capital Expenditure (Capex) Report

Capex performance is summarised in the table below. Adjustments to the approved Capex budget reflect new Capex approved post budget approval, substitutions and contingency usage. Capex cashflow forecasts will be reviewed further following December Capex reporting and reflecting on status of business case development, approval and procurement processes.

Table 1: Consolidated Capex Performance (by asset class) for the five months ended 30 November 2023:

(-ve) - spend below Capex budget / (+ve) spend above Capex budget

Amounts in $ Millions	2023/24 YTD Nov-23 Capex Perfomance				2023/24 Full Year Capex Budget, Budget Changes and Forecasts					
Asset Category	**Actual**	**Budget**	**Variance (YTD Actual to Budget)**	**Commit-ments**	**2023/24 Budget**	**Budget Changes**	**Revised Budget**	**Forecast ***	**Variance (Forecast to Revised Budget)**	**Total Amount Phased to Outyears**
Clinical Equipment	93.53	187.73	(94.20)	84.42	427.10	6.55	433.64	368.30	(65.34)	39.54
Facilities	435.81	848.99	(413.18)	1,019.80	1,968.53	107.98	2,076.51	1,694.49	(382.01)	382.01
ICT (incl. Software)	50.33	183.64	(133.32)	45.22	431.61	0.02	431.64	312.17	(119.47)	72.77
Motor Vehicles	2.10	8.61	(6.52)	3.44	20.32	(0.01)	20.31	17.10	(3.21)	0.06
Other Equipment	3.84	8.30	(4.46)	3.47	23.09	1.45	24.55	20.91	(3.64)	1.24
Contingency / Pooled Funds	2.78	17.70	(14.92)	1.93	49.07	1.24	50.31	37.55	(12.76)	10.40
Total	**588.37**	**1,254.97**	**(666.60)**	**1,158.29**	**2,919.72**	**117.23**	**3,036.95**	**2,450.51**	**(586.44)**	**506.03**
National Capex Pool			0.00	0.00	129.50	0.00	129.50	129.50	0.00	0.00
National Contingency budget			0.00	0.00	50.00	0.00	50.00	50.00	0.00	0.00
Total	**588.37**	**1,254.97**	**(666.60)**	**1,158.29**	**3,099.22**	**117.23**	**3,216.45**	**2,630.01**	**(586.44)**	**506.03**

*Cashflow forecasts to be reviewed in view of YTD spend and forecasting anomalies to be resolved

2023/24 Capital Expenditure (Capex) Report (cont)

Table 2:

Capex Performance (by region / district) for the five months ended 30 November 2023:

Region	District	YTD Actual	YTD Budget	YTD Variance	Purchase Order Commitments	Full Year Forecast 2023/24
Northern	Te Tai Tokerau	19.14	26.42	7.28	1.99	55.94
	Waitematā	89.66	140.76	51.10	184.51	294.15
	Te Toka Tumai Auckland	86.42	177.07	90.65	204.90	359.23
	Counties Manukau	51.63	98.11	46.48	209.94	226.92
Sub-Total		**246.85**	**442.37**	**195.52**	**601.35**	**936.24**
Te Manawa Taki	Waikato	24.42	101.20	76.79	49.90	169.97
	Hauora a Toi Bay of Plenty	10.03	28.66	18.63	10.89	57.88
	Lakes	6.50	28.38	21.88	5.37	62.89
	Tairawhiti	0.55	7.63	7.08	0.00	0.55
	Taranaki	55.56	95.76	40.20	153.14	161.31
Sub-Total		**97.05**	**261.63**	**164.58**	**219.30**	**452.59**
Central	Te Matau a Maui Hawkes bay	6.71	20.34	13.63	10.91	37.69
	Whanganui	4.24	8.79	4.55	2.63	19.02
	Te Pae Hauora o Ruahine o Tararua	21.14	85.44	64.29	20.19	109.64
	Wairarapa	0.33	2.43	2.10	0.06	8.14
	Hutt Valley	9.99	20.08	10.09	5.39	44.02
	Capital & Coast	33.69	42.97	9.28	1.94	94.74
	Central Region TAS	0.00	0.00	0.00	0.00	0.00
Sub-Total		**76.11**	**180.05**	**103.94**	**41.12**	**313.24**
Te Waipounamu	Nelson Marlborough	6.19	24.42	18.23	28.22	53.27
	Te Tai o Poutini West Coast	1.43	5.49	4.06	1.92	8.90
	Waitaha Canterbury	31.41	48.15	16.74	29.73	87.74
	South Canterbury	2.12	4.93	2.81	0.99	15.79
	Southern	10.15	25.62	15.47	12.13	56.36
	Brackenridge Estate Ltd	0.00	0.46	0.46	0.00	0.00
	Canterbury Linen Services	0.00	0.11	0.11	0.00	0.00
Sub-Total		**51.30**	**109.18**	**57.89**	**73.00**	**222.07**
National	National Data & Digital	47.77	180.15	132.38	44.06	302.85
	IIG	69.30	81.59	12.30	179.46	223.52
Sub-Total		**117.07**	**261.75**	**144.68**	**223.52**	**526.37**
Total		**588.37**	**1,254.97**	**666.60**	**1,158.29**	**2,450.51**
National Capex		0.00	0.00	0.00		129.50
National		0.00	0.00	0.00		50.00
Total		**588.37**	**1,254.97**	**666.60**	**1,158.29**	**2,630.01**

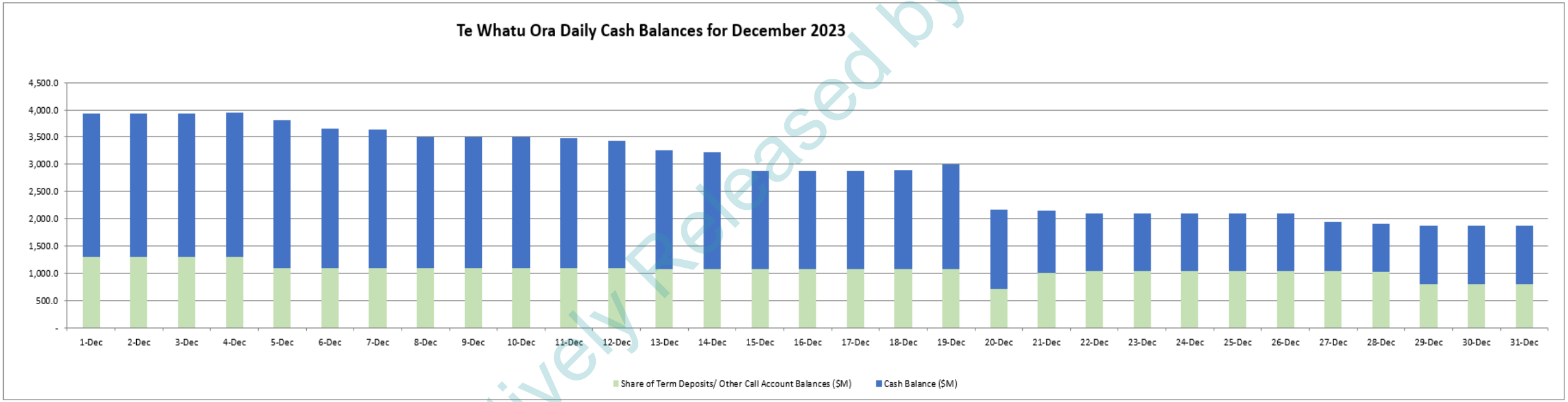
Cash Balances (cont)

Te Whatu Ora
Health New Zealand

Te Whatu Ora Daily Cash Balances for December 2023

Balance at 31/12/2023 $1866.2m

Date	1-Dec	2-Dec	3-Dec	4-Dec	5-Dec	6-Dec	7-Dec	8-Dec	9-Dec	10-Dec	11-Dec	12-Dec	13-Dec	14-Dec	15-Dec	16-Dec	17-Dec	18-Dec	19-Dec	20-Dec	21-Dec	22-Dec	23-Dec	24-Dec	25-Dec	26-Dec	27-Dec	28-Dec	29-Dec	30-Dec	31-Dec
Cash Balance ($M)	2,615.3	2,615.3	2,615.4	2,632.5	2,724.5	2,562.9	2,551.0	2,419.6	2,419.7	2,419.7	2,389.4	2,343.6	2,177.7	2,137.5	1,802.5	1,802.5	1,802.5	1,812.1	1,919.1	1,445.1	1,138.0	1,059.6	1,059.6	1,059.7	1,059.6	1,059.5	907.2	872.9	1,062.0	1,062.0	1,062.2
Share of Term Deposits/ Other Call Account Balances ($M)	1,308.7	1,308.7	1,308.7	1,309.4	1,091.2	1,089.5	1,089.4	1,088.0	1,088.0	1,088.0	1,087.7	1,087.1	1,085.3	1,084.9	1,079.8	1,079.8	1,079.8	1,080.4	1,082.9	718.5	1,015.8	1,035.4	1,035.4	1,035.4	1,035.4	1,035.4	1,035.3	1,034.6	804.0	804.0	804.0
Te Whatu Ora Total Treasury Balance ($M)	3,924.0	3,924.1	3,924.1	3,941.9	3,815.7	3,652.4	3,640.5	3,507.6	3,507.7	3,507.7	3,477.1	3,430.7	3,263.0	3,222.4	2,882.3	2,882.3	2,882.4	2,892.5	3,002.0	2,163.6	2,153.8	2,094.9	2,095.0	2,095.0	2,094.9	2,094.9	1,942.5	1,907.5	1,866.0	1,866.1	1,866.2



Comments:

- Te Whatu Ora treasury balance of $1.866 billion at 31 December 2023 is more than the $1.736 billion at 30 November 2023.
- Short-term deposits amounting to $850 million maturing within three months are included in the above cash balance.

Paid Full Time Equivalents – budget vs actual, Month and YTD

Te Whatu Ora Health New Zealand	Month			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
FTE								
Medical Personnel	10,750	10,932	182	10,696	10,805	109	10,365	10,958
Nursing Personnel	37,549	36,509	(1,040)	36,753	36,542	(211)	34,417	36,503
Allied Health Personnel	13,899	14,599	700	13,966	14,471	505	13,825	14,625
Support Personnel	4,731	4,481	(250)	4,507	4,503	(4)	4,356	4,476
Management & Admin Personnel	15,446	16,249	803	15,762	16,268	506	16,102	16,245
Total FTE	**82,375**	**82,770**	**395**	**81,684**	**82,589**	**905**	**79,065**	**82,806**

Commentary:

Medical and Allied Health staff FTE are under budget for the month and YTD reflecting vacancies.

Nursing FTE are over budget for the month and YTD reflecting filling of vacancies in some parts of the country, leave cover, safe staffing levels and overtime.

Management and Admin personnel are below budget YTD due to reform savings initiatives and holding vacancies.

Note that all clinical staffing categories have higher actual paid FTEs than for the same period 12 months ago and management and admin FTEs are lower.

Office of Hon Nicola Willis

Minister of Finance
Minister for the Public Service
Minister for Social Investment
Associate Minister of Climate Change

Dame Karen Poutasi
Chair
Health NZ

Dear Dame Karen,

DELIVERING FISCAL SUSTAINABILITY

The Coalition Government is committed to getting the government's books back in order and ensuring taxpayer funds deliver positive outcomes for New Zealanders. To help us achieve this we have established a Fiscal Sustainability Programme to embed a culture of responsible spending across Government, including in Crown entities.

Crown entities account for a significant proportion of government expenditure and service delivery. You and your boards have an important role in achieving results and outcomes from this expenditure. Boards must ensure their entities make the best use of Crown funding to deliver high quality services and you should expect enhanced scrutiny of Crown funding.

I expect all Crown entity boards to have a firm grasp of their entity's operations and cost drivers. Boards should review programmes regularly to assess whether they represent value-for-money. Programmes and activities that are not delivering results should be stopped and funding should be reprioritised or returned to the Crown.

Reducing reliance on contractors and consultants is a key priority as we work to get the books back in order. The Coalition Government is seeking savings of at least $400 million a year in contractor and consultant expenditure across the public service and Crown entities. This represents a 17% decrease on the $2.37 billion spent in 2022/23.

I expect that your board is providing active leadership to achieve a significant reduction in this type of expenditure, including taking action to realise immediate savings. I expect boards to engage closely with monitoring agencies to ensure effective and timely information is provided to allow Ministers to track progress. Your monitoring agencies will provide further guidance and detailed expectations in coming weeks.

Crown entity boards should be providing regular and robust reporting to monitoring agencies and responsible Ministers, demonstrating entities are driving value-for-money and prioritising spending towards improving outcomes for New Zealanders.

Thank you for your support as we deliver the changes needed to restore fiscal discipline and ensure expenditure is delivering real results for New Zealanders.

Yours sincerely

Hon Nicola Willis
Minister of Finance
Minister for the Public Service

Health New Zealand
Te Whatu Ora

22 February 2024

Hon Nicola Willis
Minister of Finance

cc. Hon Dr Shane Reti
Minister of Health

Caralee McLiesh
Chief Executive, Treasury

Dr Diana Sarfati
Director-General of Health, Ministry of Health

Tēnā koe Minister

Delivering Fiscal Sustainability

Thank you for your recent letter on this important topic.

On behalf of our Board, I want to underscore that we understand the Government's expectations and, as part of that, the importance of ensuring a strong focus on savings, value-for-money and impact.

Health New Zealand | Te Whatu Ora manages a very significant portion of annual government expenditure – as a Board we take this responsibility very seriously.

We have made early progress realising the benefits of merging 28 entities and some functions of the Ministry of Health, while also ensuring continuity of care during significant change.

During our first year, savings of $75 million were generated across corporate and people costs (discussed below), with a full annualised value of $139 million for 2023/24 – and ongoing each year ahead.

For 2023/24, we have a further savings target of $540 million – $361 million of which has been realised so far, seeing us on track for the full year amount. Looking ahead, at least $500m of further annual savings are likely to be required over each of the next three years (a challenging outlook in the context of demand and cost pressures, discussed below).

Our savings continue to be applied to delivering more and improved frontline services. We are also managing significant cost pressures, such as population growth, large-scale employment and pay equity settlements, uplifts for commissioned services and, more generally, price pressure across input markets and inflation.

Demand pressures alone are very real. Population growth – close to 190,000 people since we started – brings service needs right across the life course. And while COVID-19 has been well-managed, recent COVID hospitalisations across New Zealand are broadly equivalent to filling Tauranga Hospital; the impacts on our infrastructure, workforce and funding remain very real.

Pleasingly, we have added over 3,000 frontline delivery staff in the last twelve months, helping us better manage waitlists and acute demand; cover additional service volumes more broadly; and importantly improve management of staff safety and wellbeing.

Our ability to add frontline workers has been assisted by significant reductions in both back office and contractor roles. There has been a saving of around 2,500 management and administration positions since we started (~14% FTE reduction, including a major rationalisation in tier 2 and 3 leaders). Contractors have also been significantly reduced (1,180 to 635 during 2022/23). We continue our focus and push in both these areas; we will further improve productivity and channel more savings into frontline care.

We are already, therefore, realising significant benefits as one organisation; I have also attached a one-page overview of how we are progressing change within the system.

There is much to do though as we build a modern, sustainable system. We inherited the systems, ways of working and infrastructure of 28 organisations, each with their own challenges. These include services at capacity, workforce shortages, unwanted variation across the country (while protecting wanted variation to meet local or population group needs); an aging infrastructure portfolio, and fragmented IT (some 4,000 applications, many at end of life).

To address these and other challenges, significant new investment will be required, particularly in technology and information systems. While many investments will have significant up-front costs, many will also lead to significant cost reductions through more effective ways of working as a single organisation. For example, we have around 800 people supporting over 200 fragmented and outdated (in some cases vendor-unsupported) payroll, rostering and HR systems. In addition to requiring a large headcount, this situation entails significant organisational risk, as well as significant congestion in making payments to implement employment settlements and Holidays Act remediation. s 9(2)(f)(iv)

Thank you again for your letter. We recognise and understand the fiscal context, and the Government's clear expectations. We will be doing all we can to further improve our performance and deliver better health outcomes for New Zealand.

Ngā mihi maioha

Dame Dr Karen Poutasi
Chair

Progress shifting the system

Shifting care closer to home and leveraging primary and community care

- During winter 2023, **more than 730** community pharmacies were authorised and funded to dispense medications and provide consultations for minor ailments, with **over 137,000** consultations by the end of September 2023.
- Community pharmacies are now authorised and funded to administer an additional **four** National Immunisation Schedule vaccines, expanding access for flu and childhood immunisations for everyone over two years old.
- **108** new Access and Choice primary mental health and addiction services have opened across the country since July 2022. These services supported **181,073** people between July 2022 and June 2023.

Shortening wait lists for planned care

- **Northern and Te Manawa Taki** regions are on track to meet the target of no people waiting more than 365 days for treatment (excluding orthopaedics) by 31 December 2023. **Central and Te Waipounamu** are forecast to meet the target by 31 March 2024.
- **45** new critical care beds have been brought online nationally, with over **180** new staff to support the new beds to enable more capacity for complex surgery.

Growing our workforce

- **9,742** health sector workers have been approved for Accredited Employer Work Visas since July 2022, with **3,944** of these workers approved to work at Te Whatu Ora.
- **1,850** internationally qualified nurses have been assisted to become registered to work for Te Whatu Ora and in the funded sector.
- A record **303** New Entry to Specialist Practice nurses and **87** allied health workers have started their mental health and addiction careers.
- We have more than **trebled** the number of funded clinical psychology interns and established **four** training hubs. **Two** of these have established kaupapa Māori clinical psychology training.
- Ambulance providers have increased the frontline workforce by **176** FTE, from **1,722** to **1,898**.

Leveraging the value of a national health system

- There was no interruption to services during the transfer of approximately **90,000** staff from **28** organisations and some functions from the Ministry to Te Whatu Ora.
- Consolidating multiple insurance policies, IT systems and other costs, saved approximately **$75 million** in our first year.
- Continued improvements, such as consolidating mobile phone contracts, with significant potential cost savings.
- We have resolved all pay equity claims with our employed workforce where sex-based undervaluation has been established, resolving claims for around **74,000** people.

Aide Memoire

Monthly Report to Minister

To:	Hon Dr Shane Reti, Minister of Health	Reference:	HNZ00039251
From:	Peter Alsop	Due Date:	29 February 2024
Copy to:		Security level:	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Peter Alsop	**Chief of Staff**	s 9(2)(a)	**x**
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	

Attachments
Appendix 1: January 2024 Monthly Performance Report **
Appendix 2: January 2024 Financial Report
Appendix 3: January 2024 Te Pae Tata Milestones Report *
Appendix 4: January Activity Dashboard *

*** N.B. Not in scope, no financial information**
****N.B. Excerpt released under section 16(1)(e)**

Peter Alsop
Chief of Staff

Purpose

1. This Aide-Memoire presents the Health New Zealand | Te Whatu Ora January 2024:
    a. Monthly Performance report (Appendix 1).
    b. Financial Performance Report (Appendix 2).
    c. Interim New Zealand Health Plan | Te Pae Tata milestones report (Appendix 3).
    d. Activity Dashboard (Appendix 4)

Background / context

2. Our Monthly Performance Report is structured to align with the six key priorities of the Interim New Zealand Health Plan | Te Pae Tata.
3. Data is reported as of 31 January 2024, where available, but otherwise at the latest available date.
4. The Board reviewed and discussed this report at its meeting on 23 February 2024.
5. None of these documents are proactively published – only our Quarterly reports are published. You will receive the Quarter 2 (October – December 2023) report mid-March 2024 ahead of it being published on our website.
6. Copies of the January reports have been provided to the Ministry of Heath | Manatū Hauora, Te Aka Whai Ora, and the Treasury – and we have discussions with both Te Aka Whai Ora and Ministry of Heath | Manatū Hauora following their review as part of their monitoring roles.

Next Steps

7. We welcome any questions on, or discussion with you, about our January reports.

Appendix One – January Performance Report (29 February 2024)

Excerpt of pages 18 & 19 released under section 16(1)(e) of the Act

5 Financial Monthly Highlights

The operating result for the month is a $7m surplus, which is $28m favourable to budget. The year-to-date result is a surplus of $26m, which is $54m favourable to budget.

Closing cash for Te Whatu Ora at 31 January 2024 was $1.603 billion.

A breakeven budget was approved for 2023/24. The current forecast result is a surplus of $507m, mainly attributed to timing differences between expenditure accruals for pay equity settlements accounted for in June 2023, while funding to offset the costs is realised in 2023/24. The forecast also reflects estimated write offs of obsolete COVID19 stock and unfunded impacts of employee settlements (e.g. leave revaluations).

Planned savings remain largely on track after seven months, with savings achieved for the year to date at $141m. A further $102m of other savings have also been achieved giving a total of $243m achieved after seven months against the full year target of $540m. Savings have been phased reflecting the months in which they are expected to be achieved, the full annual savings target is $540m.

Key trends over the 19 months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. These are offset by use of overtime, locum and external agency staff.

Te Whatu Ora
Health New Zealand

Monthly Finance Report

Period ended 31 January 2024

Overview – Chief Financial Officer

Key Points

The operating result for the month is a $7m surplus, which is $28m favourable to budget. The year-to-date result is a surplus of $26m, which is $54m favourable to budget.

Closing cash for Te Whatu Ora at 31January 2024 was $1.603 billion.

A breakeven budget was approved for 2023/24. The current forecast result is a surplus of $507m, mainly attributed to timing differences between expenditure accruals for pay equity settlements accounted for in June 2023, while funding to offset the costs is realised in 2023/24. The forecast also reflects estimated write offs of obsolete COVID19 stock and unfunded impacts of employee settlements (e.g. leave revaluations).

Savings remain largely on track after seven months, with savings achieved for the year to date at $361.3m, this includes unplanned savings and budget improvements amounting to $183.6m. Full year savings target is $540m.

Key trends over the 19 months of operation for Te Whatu Ora are continuing vacancies overall in the employed workforce. These are offset by use of overtime, locum and external agency staff.

Key issues, risks & work plan

The two most significant financial risks faced by Te Whatu Ora in the current year remain the risk around Collective employment settlement agreements above budgeted and funded levels and inflationary pressures.

We are continuing to prepare for Budget 2024 with a view to demonstrating to central agencies our capability to plan and provision over a multi-year period. The five-year financial forecast and scenario model developed will continue to be updated as we receive new information on the Government's priorities or new initiatives.

Capital Expenditure (Capex) for the year-to-date to 31 December 2023 is $724m, against a budget of $1.26 billion, thus $535m below plan. Capex performance will be reviewed as part of planning for 2024/25 Capex budgets to ensure improved forecasting and delivery of the capital program.

Roll out of the FPIM system continues with 25 components now migrated. There are two districts (Lakes and Tairawhiti) and two shared service agencies (Healthshare and Central TAS) yet to be migrated onto FPIM and these will be completed by June 2024.

Cash Flows & Balance Sheet at 31 January 2023

Te Whatu Ora
Health New Zealand

Group Cash Flow Statement for the YTD to 31 January 2024	($M)
Cash Flows From Operating Activities	
Cash was provided from:	
Appropriations	13,021
Other Government	2,576
Receipts from Customers	421
Interest Received	108
	16,126
Cash was applied to:	
Payments to Employees	7,328
Payments to Hospital Suppliers	3,504
Payments to Community Providers	5,434
	16,266
Net Cash Flows from Operating Activities	(140)
Cash Flows From Investing Activities	
Cash was provided from:	
Equity Injections re Capital	563
Cash was applied to:	
Purchase of Property, Plant and Equipment	863
Net Cash Flows from Investing Activities	(300)
Net Cash Flows from All Activities	(440)
Cash at Beginning of Year	2,043
Cash at 30 June	**1,603**
Represented By	
BNZ Sweep account	1,524
Term Deposits	28
Trusts and Other Accounts	51
	1,603

Group Balance Sheet as at 31 January 2024	($M)
Current Assets	
Cash - BNZ Sweep	1,524
Cash - Trusts and Other Accounts	51
Term Deposits	28
Short Term Investments	30
Prepayments	223
Debtors	406
Inventory	390
	2,652
Current Liabilities	
Creditors	1,620
Income in Advance	70
GST Input/Output Adjustments	158
Payroll Accruals	540
Employee Entitlements	741
Accrued Leave	3,289
	6,418
Net Working Capital	(3,766)

Group Balance Sheet as at 31 January 2024 (cont'd)	($M)
Non Current Assets	
Land	1,720
Buildings and Plant	8,836
Clinical Equipment	677
Other Equipment	141
Information Technology	98
Software	273
Motor Vehicles	21
Work in Progress	2,173
Investments in Subsidiaries and Associates	4
Long Term Investments	117
Other	5
	14,065
Non Current Liabilities	
Employee Entitlements - Non Current Portion	299
Term Loans	94
Restricted Trusts and Special Funds	98
Other	5
	496
Net Funds Employed	
Crown Equity	8,545
Capital Injections	563
Revaluation Reserve - Land	1,637
Revaluation Reserve - Buildings	5,536
Other	8
Retained Earnings	(6,486)
	9,803

Te Whatu Ora
Health New Zealand

Finance Dashboard: January 2024

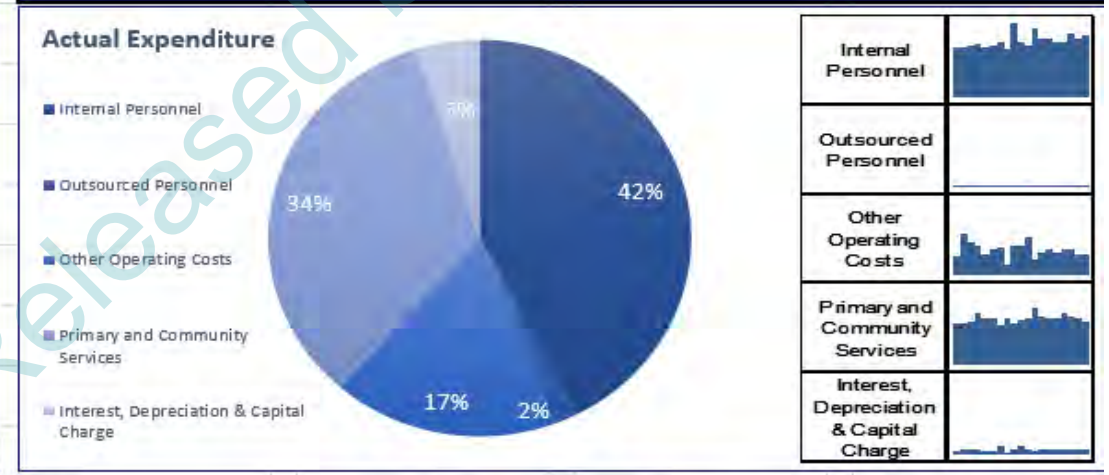
Te Whatu Ora
Health New Zealand

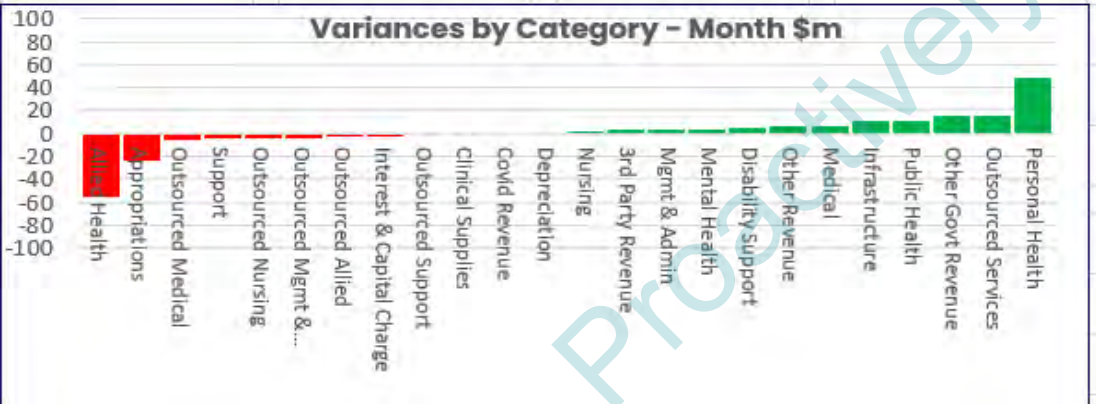
Result	Actual $m	Budget $m	Variance $m
Month	7	(21)	28
YTD	26	(28)	54

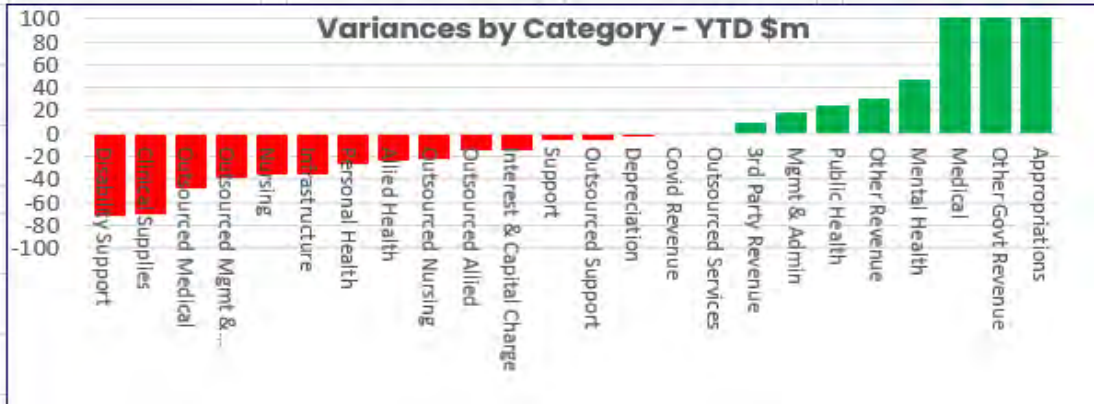
Staffing	Actual	Budget	Variance
FTE Month	82,842	82,843	1
$m Month	1,006	958	(48)

Month

YTD







Statement of Financial Performance

Te Whatu Ora
Health New Zealand

Te Whatu Ora Health New Zealand Group $Millions	Month Total Actual	Month Total Budget	Month Variance	Year to Date Total Actual	Year to Date Total Budget	Year to Date Variance	YTD Last Year Actuals	Full Year Forecast	Full Year Budget	Full Year Forecast Variance
Revenue										
Appropriations	1,911	1,935	(24)	13,688	13,563	125	13,231	23,633	23,239	394
Other Government Revenue	229	214	15	1,605	1,495	110	1,480	2,701	2,564	137
Third Party Revenue	9	6	3	52	42	10	41	88	72	16
Other Revenue	42	36	6	283	253	30	246	482	432	50
Total Revenue	**2,191**	**2,191**	**0**	**15,628**	**15,353**	**275**	**14,998**	**26,904**	**26,308**	**595**
Expenditure										
Internal Personnel										
Medical Personnel	256	262	6	1,716	1,818	102	1,620	2,980	3,096	116
Nursing Personnel	405	407	2	2,867	2,831	(36)	2,243	4,683	4,825	142
Allied Health Personnel	177	122	(55)	871	848	(23)	761	1,359	1,444	85
Support Personnel	34	30	(4)	214	208	(6)	195	359	354	(5)
Management & Admin Personnel	134	137	3	946	964	18	975	1,582	1,622	40
Subtotal	**1,005**	**959**	**(48)**	**6,614**	**6,669**	**55**	**5,795**	**10,962**	**11,340**	**378**
Outsourced Personnel										
Medical Personnel	16	10	(6)	116	69	(47)	95	177	117	(60)
Nursing Personnel	5	1	(4)	28	6	(22)	20	42	11	(31)
Allied Health Personnel	3	1	(2)	20	6	(14)	11	30	11	(19)
Support Personnel	2	1	(1)	10	4	(6)	9	15	7	(8)
Management & Admin Personnel	16	12	(4)	124	86	(38)	134	197	146	(51)
Subtotal	**42**	**25**	**(17)**	**298**	**171**	**(127)**	**269**	**461**	**291**	**(170)**
Other Operating Costs										
Outsourced Services	51	66	15	461	461	0	774	811	781	(30)
Clinical Supplies	182	181	(1)	1,320	1,250	(70)	1,478	2,380	2,135	(245)
Infrastructure & Non-Clinical Supplies	116	127	11	906	871	(35)	913	1,555	1,505	(50)
Subtotal	**350**	**374**	**25**	**2,686**	**2,581**	**(105)**	**3,165**	**4,746**	**4,422**	**(325)**

Commentary:

The year-to-date net operating result is $54m favourable to budget.

Key upsides for the year-to-date are in:

- Revenue - favourable mainly due to pay equity funding and Pharmac funding with offsetting expenditure.
- Staffing costs, favourable mainly in medical and management. The favourable medical position offsets unfavourable costs in community services for pay disparity. Favourable management reflects restructuring impacts and vacancies.

Adverse variances are in:

- Outsourced personnel costs, due to cover for staff gaps and initiatives
- Clinical supplies, mainly inflationary cost pressures
- Community services, bottom-line neutral pay disparity expenditure and pharmacy drug cost variances as offset by budget in other areas or additional funding.

Statement of Financial Performance (cont'd)

Te Whatu Ora
Health New Zealand

Primary and Community Services										
Personal Health	412	461	49	3,238	3,211	(27)	2,984	5,526	5,526	0
Mental Health	65	68	3	431	478	47	354	776	819	43
Disability Support Services	191	196	5	1,442	1,370	(72)	1,239	2,348	2,348	0
Public Health	12	23	11	136	160	24	406	264	277	13
Subtotal	**679**	**748**	**68**	**5,247**	**5,218**	**(28)**	**4,984**	**8,914**	**8,970**	**56**
Interest, Depreciation & Capital Charge										
Depreciation	70	70	0	487	485	(2)	429	850	846	(4)
Interest & Capital Charge	39	37	(2)	270	256	(14)	233	463	440	(23)
Subtotal	**108**	**107**	**(2)**	**757**	**742**	**(16)**	**662**	**1,313**	**1,286**	**(27)**
Total Expenditure	**2,184**	**2,212**	**28**	**15,603**	**15,381**	**(221)**	**14,874**	**26,397**	**26,308**	**(89)**
Net Surplus/(Deficit) from Operations	**7**	**(21)**	**28**	**26**	**(28)**	**54**	**125**	**507**	**0**	**507**

2023/24 Capital Expenditure (Capex) Report

Capex performance is summarised in the table below. Adjustments to the approved Capex budget reflect new Capex items approved, substitutions/use of contingency and anomalies resolved. Detailed reviews of Capex forecasts will be completed during March and April as part of the Capex Budgeting process, having considered status of business case development, approval and procurement processes.

Table 1: Consolidated Capex Performance (by asset class) for the six months ended 31 December 2023:

(-ve) - spend below Capex budget / (+ve) spend above Capex budget

Amounts in $ Millions	2023/24 YTD Nov-23 Capex Perfomance				2023/24 Full Year Capex Budget, Budget Changes and Forecasts					
Asset Category	Actual	Budget	Variance (YTD Actual to Budget)	Commit-ments	2023/24 Budget	Budget Changes	Revised Budget	Forecast *	Variance (Forecast to Revised Budget)	Total Amount Phased to Outyears
Clinical Equipment	110.46	190.98	(80.52)	84.35	385.65	6.63	392.27	389.34	(2.93)	2.94
Facilities	533.54	849.71	(316.16)	973.76	2,003.50	219.49	2,222.98	1,738.00	(484.98)	484.98
ICT (incl. Software)	69.38	183.98	(114.60)	40.93	548.49	0.19	548.68	329.22	(219.46)	219.46
Motor Vehicles	2.28	8.61	(6.33)	4.91	20.32	(0.01)	20.31	18.73	(1.58)	1.58
Other Equipment	4.80	8.78	(3.98)	3.79	22.86	2.31	25.17	24.81	(0.37)	0.37
Contingency / Pooled Funds	3.81	17.70	(13.89)	3.32	52.28	(3.82)	48.46	35.90	(12.55)	12.55
Total	**724.27**	**1,259.76**	**(535.48)**	**1,111.05**	**3,033.10**	**224.78**	**3,257.88**	**2,536.01**	**(721.87)**	**721.87**
National Capex Pool			0.00	0.00	129.50	0.00	129.50	60.00	(69.50)	69.50
National Contingency budget			0.00	0.00	50.00	0.00	50.00	50.00	0.00	0.00
Total	**724.27**	**1,259.76**	**(535.48)**	**1,111.05**	**3,212.60**	**224.78**	**3,437.38**	**2,646.01**	**(791.37)**	**791.37**

*Cashflow forecasts to be reviewed in view of YTD spend and forecasting anomalies to be resolved

2023/24 Capex Report (cont'd)

Table 2: **Capex Report (by region / district) for the six months ended 31 December 2023:**

Amounts in $ Millions

Region	District	YTD Actual	YTD Budget	Variance (YTD Actual to Budget)	Purchase Order Commitments	Full Year Forecast 2023/24
Northern	Te Tai Tokerau	23.70	26.42	(2.73)	1.99	56.82
	Waitematā	109.14	140.78	(31.64)	176.87	285.39
	Te Toka Tumai Auckland	104.89	179.93	(75.04)	193.54	342.68
	Counties Manukau	63.08	98.56	(35.47)	201.11	210.12
Sub-Total		**300.81**	**445.69**	**(144.88)**	**573.50**	**895.01**
Te Manawa Taki	Waikato	27.77	101.20	(73.43)	55.36	191.56
	Hauora a Toi Bay of Plenty	10.03	28.66	(18.63)	10.89	57.71
	Lakes	8.11	28.48	(20.37)	5.74	71.55
	Tairawhiti	0.55	7.63	(7.08)	0.00	0.55
	Taranaki	69.38	95.76	(26.37)	142.22	183.84
Sub-Total		**115.85**	**261.73**	**(145.88)**	**214.21**	**505.21**
Central	Te Matau a Maui Hawkes bay	8.27	20.34	(12.06)	14.00	43.18
	Whanganui	5.37	9.45	(4.08)	3.54	17.12
	Te Pae Hauora o Ruahine o Tararua Midcentral	27.26	85.46	(58.20)	16.99	114.60
	Wairarapa	0.41	2.43	(2.02)	0.04	8.72
	Hutt Valley	11.23	20.08	(8.85)	4.12	45.88
	Capital & Coast	39.27	42.97	(3.70)	2.06	124.94
	Central Region TAS	0.00	0.00	0.00	0.00	0.00
Sub-Total		**91.82**	**180.73**	**(88.91)**	**40.75**	**354.44**
Te Waipounamu	Nelson Marlborough	7.82	24.42	(16.60)	19.21	63.12
	Te Tai o Poutini West Coast	2.83	5.49	(2.66)	1.92	11.15
	Waitaha Canterbury	38.59	48.15	(9.56)	27.88	92.77
	South Canterbury	2.31	4.93	(2.61)	1.17	15.98
	Southern	11.88	26.25	(14.37)	13.40	38.47
	Brackenridge Estate Ltd	0.00	0.46	(0.46)	0.00	0.00
	Canterbury Linen Services	0.00	0.11	(0.11)	0.00	0.00
Sub-Total		**63.43**	**109.81**	**(46.38)**	**63.58**	**221.50**
National	National Data & Digital	66.26	114.16	(47.90)	39.54	319.79
	IIG	86.11	147.64	(61.53)	179.46	240.05
Sub-Total		**152.37**	**261.80**	**(109.43)**	**219.00**	**559.84**
Total		**724.27**	**1,259.76**	**(535.48)**	**1,111.05**	**2,536.01**
National Capex Pool		0.00	0.00	0.00		60.00
National Contingency budget		0.00	0.00	0.00		50.00
Total		**724.27**	**1,259.76**	**(535.48)**	**1,111.05**	**2,646.01**

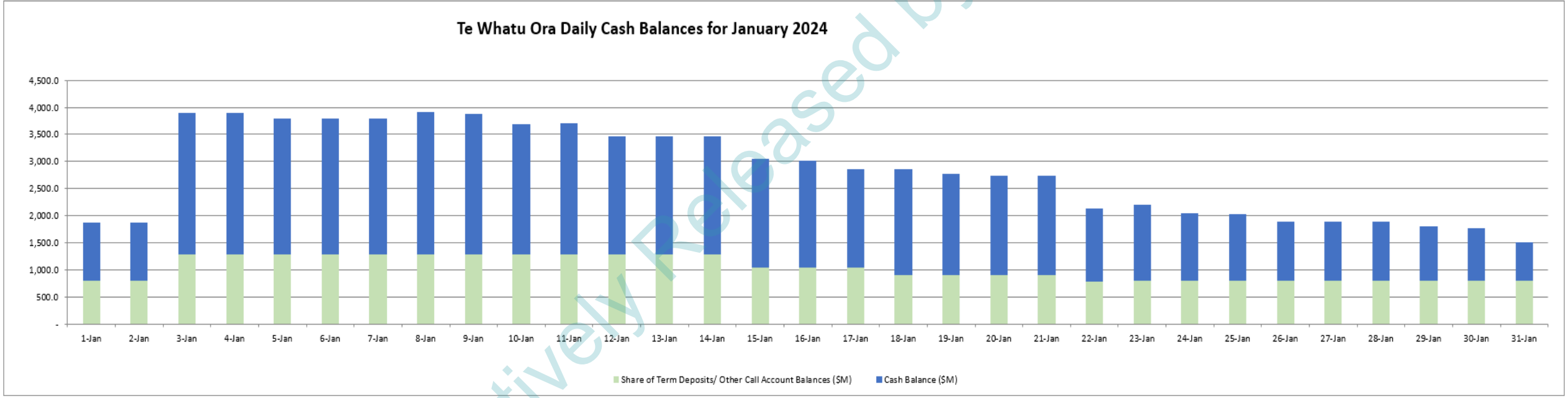
Cash Balances (cont'd)

Te Whatu Ora
Health New Zealand

Te Whatu Ora Daily Cash Balances for January 2024

Balance at 31/01/2024 $1518.4m

Date	1-Jan	2-Jan	3-Jan	4-Jan	5-Jan	6-Jan	7-Jan	8-Jan	9-Jan	10-Jan	11-Jan	12-Jan	13-Jan	14-Jan	15-Jan	16-Jan	17-Jan	18-Jan	19-Jan	20-Jan	21-Jan	22-Jan	23-Jan	24-Jan	25-Jan	26-Jan	27-Jan	28-Jan	29-Jan	30-Jan	31-Jan
Cash Balance ($M)	1,063.2	1,063.1	2,599.4	2,599.7	2,508.4	2,508.5	2,508.5	2,613.9	2,589.7	2,406.7	2,423.7	2,183.6	2,183.8	2,183.9	2,007.0	1,978.2	1,819.0	1,953.2	1,867.4	1,846.1	1,846.2	1,340.3	1,392.0	1,236.2	1,217.5	1,095.7	1,095.8	1,094.8	995.1	963.2	718.1
Share of Term Deposits/ Other Call Account Balances ($M)	804.1	804.1	1,292.2	1,292.4	1,291.3	1,291.3	1,291.3	1,292.8	1,292.5	1,289.8	1,290.1	1,286.4	1,286.4	1,286.4	1,043.7	1,044.1	1,041.6	899.9	898.9	898.5	898.5	792.2	805.6	803.7	804.6	803.7	803.7	803.7	803.2	802.8	800.3
Te Whatu Ora Total Treasury Balance ($M)	1,867.3	1,867.2	3,891.6	3,892.1	3,799.6	3,799.7	3,799.8	3,906.7	3,882.2	3,696.5	3,713.7	3,469.9	3,470.2	3,470.2	3,050.7	3,022.2	2,860.6	2,853.2	2,766.3	2,744.5	2,744.6	2,132.5	2,197.6	2,039.9	2,022.1	1,899.4	1,899.5	1,898.5	1,798.3	1,766.0	1,518.4



Comments:

- Te Whatu Ora treasury balance of $1.518 billion which is less than the $1.866 billion at 31 December 2023. The lower balance partly reflects HCE funding reimbursement not received in January but will be received in February.
- Short-term deposits amounting to $850 million maturing within three months are included in the above cash balance.

Paid Full Time Equivalents – budget vs actual, YTD

Nb For the purposes of financial reporting this table represents FTEs that are paid. In other reports for the purposes of workforce development, data may be used from Health Workforce Information Programme (HWIP).

Te Whatu Ora Health New Zealand Group $Millions	Month			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
FTE								
Medical Personnel	10,689	10,983	294	10,695	10,831	136	10,365	10,958
Nursing Personnel	38,626	36,496	(2,130)	37,020	36,535	(485)	34,417	36,503
Allied Health Personnel	13,648	14,651	1,003	13,921	14,496	575	13,825	14,625
Support Personnel	4,603	4,472	(131)	4,521	4,499	(22)	4,356	4,476
Management & Admin Personnel	15,276	16,241	965	15,692	16,264	572	16,102	16,245
	82,842	**82,843**	**1**	**81,849**	**82,625**	**776**	**79,065**	**82,806**

Commentary:

Medical and Allied Health FTEs are below budget for the month and YTD reflecting vacancies.

Nursing FTE are over budget for the month and YTD reflecting filling of vacancies in some parts of the country, leave cover, safe staffing levels and overtime.

Management and Admin personnel are below budget for the month and YTD due to reform savings initiatives and holding vacancies.

Note that all clinical staffing categories have higher actual paid FTEs than for the same period 12 months ago and management and admin FTEs are lower.

Note: Internal Personnel are staff employed directly by Te Whatu Ora, outsourced personnel are people not directly employed who are paid via agencies and individual contracts.

March 2024 Documents

Date	Title	Decision on release
6 March 2024	Talking Points – Minister of Health – *Budget Bilaterals Meeting*	Withheld in full under section 9(2)(g)(i) to protect free and frank expression of relevant staff, ensuring they are able to convey their unguarded opinions in future, which is a core part of their role.
15 March 2024	HNZ00038631-Aide Mémoire – *2023/24 Quarter 2 Report*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – withheld under section 18(d) as is publicly available – Quarterly Performance Report, 1 October– 31 December 2023 – Health New Zealand | Te Whatu Ora Note: **Appendix 3** – released as not part of the publicly released Quarterly Report. Some information withheld as it is out of scope and is not directly related to financial information. **Appendix 2** – Withheld in full as out of scope. Document does not contain any financial information.
19 March 2024	Letter – MoF	Released in full.
21 March 2024	HNZ00041624-Briefing – *23/24 Revised Budget Target and Financial Pressures*	Some information withheld under the following sections of the Act: • Section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. • Section 9(2)(g)(i) to protect free and frank expression of relevant staff, ensuring they are able to convey their unguarded opinions in future, which is a core part of their role.
22 March 2024	HNZ00040306-Aide Mémoire – *Response to OAG Audit of Health NZ for the Year Ended 30 June 2023*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons.
22 March 2024	Letter – HNZ, *Response to letter from*	Released in full.

	Minister of Finance	
23 March 2024	Document – *Health System Reform Progress Report Q2 FY 2023/24*	Withheld in full under section 18(d) as is publicly available – Q2 health system reform progress report | Ministry of Health NZ
23 March 2024	HNZ00041829- Aide Mémoire – *23/24 Budget – Response to Financial Pressures*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons.

Aide-Mémoire

2023/24 Quarter 2 Report

To:	Hon Dr Shane Reti, Minister of Health	Reference:	HNZ00038631
From:	Peter Alsop, Chief of Staff	Due Date:	15 March 2024
Copy to:		Security level:	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Peter Alsop	**Chief of Staff**	s 9(2)(a)	**x**
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	

The following departments/agencies have been consulted
Manatu Hauora and Te Aka Whai Ora in their monitoring capacity, have reviewed and written companion reports in relation to the Quarter 2 Report

Attachments
Appendix 1: Quarter Two Performance Report N.B. Publicly Released
Appendix 2: Te Pae Tata Milestone Table *

*** N.B. Not in scope, no financial information**

Purpose

1. This Aide-Mémoire introduces our Quarter 2 Report (1 Oct – 31 Dec). Publication is planned for the week commencing 25 March. We welcome any feedback you would like to provide on the report by **22 March 2024**.
2. As previously discussed with you, this report also contains reporting against the clinical performance metrics (previously published separately but now embedded in the report).

Background / context

3. Our monthly and quarterly reports are provided to our monitoring agencies – Ministry of Health | Manatū Hauora, Te Aka Whai Ora | Māori Health Authority. We have substantively addressed their feedback on the Q2 report. Alongside this briefing, you are also receiving companion monitoring reports from those agencies.

Discussion

4. Publication is planned for the week commencing 25 March. We welcome any pre-publishing feedback by 22 March 2024. Key issues that may attract attention are:

    i. Results for several metrics are presented in the report, including the 5 metrics that have been chosen as the health targets (section 6). We note that targets set by Health New Zealand in our 2023/34 Statement of Performance Expectations and Estimates (and reflected in our graphs) are different to the targets coming into effect from 1 July. We have explained this in the report.

        a. Planned care Waitlists (ESPI5): This quarter, there was an increase in waitlists across all regions and ethnicities. We review performance weekly with regions, ensuring that long-waiting patients have treatment plans and confirmed dates for treatment. This includes providing targeted support where specific local areas are outliers in the size of their long-waiting treatment waitlist.

        b. First Specialist assessment (ESPI2): There was an increase in the proportion of people waiting longer than four months for their first specialist assessment (FSA). Communication with FSA waitlist patients, to mirror the approach taken with the Planned Care waitlist, is our approach to improve outcomes.

    ii. Mental health wait times: Data shows mental health wait times are improving. While this is positive, it is too early to say if this represents a trend.

    iii. Workforce: As part of the Government's 100-Day Plan and to keep emergency departments safe, an additional 200 (93 FTE) security staff were placed in 32 emergency departments (EDs) across the country.

5. We note that a separate Aide-Mémoire, "Preparing to publish health target data" (HNZ00038883) is being prepared to support discussions with you on future publication and communications of the health targets.

Next steps

6. We welcome your feedback on the Q2 Report by 22 March to enable changes to be considered ahead of publication in the week of 25 March.
7. We will keep in close contact with your office regarding publication timing.

Appendix 3: Detailed Financial Risks and Mitigation

Workforce Risks

People and Communications, National Public Health Service, Infrastructure and Investment Group, and Service Improvement and Innovation all share a similar risk profile regarding 'workforce' risks.

These include cost pressures on the workforce (resourcing, vacancies, MECA settlements, pay equity, Holidays Act remediation).

As well as the above risks, vacancies are impacting other parts of the business.

Hospital and Specialist Services face immediate workforce resourcing risks; clinical FTE growth required to maintain service levels within the Hospital and Specialist Services 2023/24 budget comes following a year with very high vacancy rates.

In the Commissioning space, Aged Residential Care bed reductions are due mainly to staffing shortages, rather than a reduction in demand. Ongoing staffing shortages in all of the contracted sector remain a risk to service delivery.

Other Cost Pressures

Hospital and Specialist Services:
Savings and efficiencies are planned to ensure total cost pressures are affordable. Hospital and Specialist services have for several years had the benefit of funded PPE provided via central stocks. These supplies will be exhausted by September 2023, and the costs will then revert back to Hospitals to cover.

Commissioning:
a) Funding to the primary and community sector has struggled to keep up with cost pressure growth. Many parts of the funded sector are showing signs of pressure due to workforce shortages and funding models that are no longer fit-for-purpose for the complexity of care required. This is seen across a range of services and sectors including: aged care with Aged Residential Care bed and facility closures, closed books in general practices reducing people's access to early care and intervention, and After-Hours services struggling to cover after-hours rosters, putting pressure on ED.

b) The Health NZ budget process is still in transition.

Infrastructure and Investment Group:

a) There is a risk that rent reviews/renewal negotiations will be settled higher than budgeted allowances.
b) Utilities cost pressure exists in the short to mid term.
c) Maintenance costs are difficult to change in the short to mid term due to the age of facilities around the country and existing contracts in place.
d) Further investment is needed in asset management to fully understand what health infrastructure Health NZ owns and manages.

Budgeted Savings Target Risks

Hospital and Specialist Services

New Financial sustainability initiatives added $355.6 million to carried forward savings programmes, which is a significant percentage of total base budget. When viewed alongside the need of Hospital and Specialist Services to manage all volume growth within current budgets, to retain cost growth to a maximum of 2% and then to further reduce costs incurred by $355.6 million, the pressure on operational teams to identify opportunities that will not impact on service delivery, or to accept service reductions where needed is challenging. Multiple workstreams and discussions are underway looking at the best way to achieve this ask, but the risk of under delivery of these savings initiatives is significant.

Vacancies carried forward from 2022/23 are not permanent FTE reductions, but reflect acknowledgement of anticipated staff turnover and short-term vacancies arising as a result of natural "churn". There were $197.6 million of carried forward vacancies already factored into Hospital and Specialist Services, these have been increased by $115.2 milion for a total vacancy assumption of $312.8 million in 2023/24. This represents 3.1% of all staffing costs for the year. While vacancies do arise naturally, they create difficulties in service delivery, and where backfilled they tend to result in greater costs incurred through high cost of cover than would be incurred normally (e.g.; overtime, incentive payments, use of Bureau staff or Outsourcing etc).

National Public Health Service

a) Ambiguity and ongoing change in alignment of budgets between NPHS and other national services, making it difficult to assess the completeness and sufficiency of the NPHS budget.

b) Higher-level political and policy decisions necessitating implementation of initiatives which were not planned or budgeted.

Service Delivery Risks

Hospital and Specialist Services

Planned care remediation has been approved at $118 million for the FY 2023/24 year, this includes a $110 million IPET. This should mitigate additional costs incurred for planned care volume growth in the current year.

Data and Digital

Out of scope

People and Communications

Risks relating to service delivery include end-of-life systems in payroll, HR and rostering have the risk of failure or requiring significant effort/urgent expenditure to avoid failure.

National Public Health Service

Staff, capability and new ways of working developed during COVID and proposed as part of the NPHS future state, not being retained, which may materially impact on various NPHS service priorities, for example, screening and vaccination levels in priority populations.

Budget pressures requiring further scaling back of the NPHS future operating model which would likely impact frontline resourcing and resultant service.

Risk Mitigations

Table 1a: **Hospital and Specialist Services** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Workforce Resourcing	**High**	**21**	Engagement with the Service Innovation and Improvement team to identify unwarranted clinical variation, ongoing Regional and National staff balancing to ensure services are covered.	**Medium**	**13**
Workforce Cost pressures	**High**	**21**	Engagement with People and Culture to understand and address MECA increases above budget. Work with Regional and Group Directors to understand	**Medium**	**13**

			local and regional unbudgeted costs.		
Other Cost pressures	**High**	**17**	Careful variance analysis of expenditure above budget to allow early intervention where costs exceed budget.	Medium	**8**
Procurement and Supply chain risks	**High**	**17**	Engagement with PSC-HTM team to actively manage and prioritise key procurement priorities.	Medium	**8**
Capital Risks	**Medium**	**9**	Engagement with Infrastructure and Investment team will be ongoing to manage all Capital opportunities and risks.	**Medium**	**4**
Planned investment Risks	**Medium**	**13**	Regional and National reviews to ensure alignment with key Priorities and Te Pae Tata are underway.	**Medium**	**4**
Budgeted Savings targets – FSP	**Extreme**	**25**	Achievement of the budgeted savings lines requires careful review to identify opportunities without adversely affecting clinical service delivery. All H&SS Leaders are engaging with this programme.	**High**	**20**
Budgeted Savings targets – Vacancies	**Medium**	**13**	Clinical vacancies will remain opportunistic.	**Medium**	**5**
Service Delivery Risks	**High**	**21**	Service Delivery is dependent on the above staffing risks being mitigated.	High	**14**
Operational Change Risks	**Medium**	**4**	Care is being taken with the design of the operational model to actively avoid operational change risks occurring.	**Low**	**1**

Table 1b: **National Public Health Service** – Risk Mitigations

Risk Description	Current Risk Rating		Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Workforce and cost pressure risks (A particular risk is the contract end date of 31 October 2023 for many COVID-19 funded staff whose functions / positions are proposed to be replicated in the new structure)	**Hi**	**21**	Maximising the filled position rate for frontline services; Managing position vacancy rates for support and admin positions; Holding back 72 FTE identified non frontline positions as part of rollout of Future state structure;		**Hi**	**17**

			Ensuring appropriate budget accompanies net FTE transfers in to NPHS; Rolling out budgets, budget management, and accurate FTE reporting which reflects future state structure and applying strict monitoring and management; Ensuring absolute clarity of the NPHS budget composition and maximising budget entitlement;		
Risks relating to planned investments	**Hi**	**17**	Managing aggregate budgets across related projects; Pursuing budget bids as appropriate for identified priority projects which don't yet have approved budgets;	**Med**	**13**
Risks relating to Budgeted Savings Targets	**Med**	**13**	Imbedding targets at operational level cost centres Regular financial reporting, and financial accountability and management reviews	**Med**	**8**
Risks relating to service delivery	**Hi**	**17**	In the short term the risk relating to an expected / required enhanced level of public health service delivery is relatively high due to budget uncertainty and the time needed to fully implement the NPHS new structure. The NPHS future structure rollout is being implemented as quickly as possible to avoid prolonged uncertainty among NPHS staff, particularly frontline staff; As noted in prior mitigants above, there is a focus on resourcing and maximising as far as possible frontline services. The previous mentioned budget management strategies will also help resource core services delivery;	**Med**	**13**

Risks relating to managing change	**Med**	**13**	NPHS has a dedicated change management team; The change is being worked through as systematically and quickly as possible;	**Med**	**13**

Table 1c: **Commissioning** – Risk Mitigations

Risk	Mitigation(s)	Rating
Current system that has underdelivered is reinforced	• Clearly articulate the plan and timelines to engage each sector in conversations to fundamentally redesign design service and funding models, to bring the NZ health system into alignment with the Pae Ora Act health sector principles • Continue to roll out 'new' funding in ways more aligned to the health sector principles • Budget 24 process, moving Health NZ to a fully costed NZHP	Low
Budgeted Saving Target of $90 million not being achieved	• Close monitoring of monthly financial performance and demand activity	High
At-risk services fail	• Focus on specific programmes of work to address key issues for at-risk services 23/24	High
Proposed uplifts will not meet provider expectations	• We continue to work with the sector to target the uplift to areas of significant cost pressure, including the frontline workforce. • Funding review for Aged Care, Home Based Support Services and general practice under Budget 24 will guide decision making with these part of the sector	High
Proposed uplifts will not address key issues of equity of access and outcome and are not targeted	• Work with the Commissioning leadership team to identify areas for investment to improve equity and better target funding	Medium
Providers may withdraw some services	• Understand the impact on other parts of the system (e.g. hospital costs) and redirect expenditure to prevent unnecessary disruption in care	Medium
Workforce issues increase as recruitment continues to be a concern, exacerbated by wage relativities across the board	• Continue to work with the sector and other parts of Health NZ on workforce solutions • Ensure any new funding arising from future government decisions regarding pay parity and pay equity are implemented quickly and well	High
Sector loses confidence that we are moving to new ways of	• Continue work programme to implement new, simplified versions of contracts	Medium

working and funding models, resulting in a deterioration in the relationship	• Make improvements to the annual negotiation process with providers and peak bodies • Manage budget into future years to enable reasonable percentage uplifts aligned to a) real rising costs and b) on a trajectory to long-term sustainability	

Table 1d: **Data and Digital** – Risk Mitigations

Out of scope

Table 1e: **System Improvement and Innovation** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score

People, Culture and Capability Risk of lack of workforce capacity and capability to scale up national initiatives and deliver within operational timeframes. Phase 2 of the consultation extended to a later date in the year. Potential delay in work programmes through not being fully resourced. **Likelihood:** Possible **Consequence:** Moderate	**Medium**	**13**	Potentially look to outsourcing with contractors or secondments for key positions	**Medium**	**9**
Data and Digital Systems and Services IT Infrastructure is critical to operating on a national level, the ability sharing information. Cohesive contracts process and systems yet to be established. **Likelihood:** Almost Certain **Consequence:** Minor	**High**	**16**	Anticipate that digital workspace initiatives will resolve some of the concerns; to confirm with Data & Digital plan	**Medium**	**8**
Programmes and Projects Māori and Pacific Pipeline – under delivery due to several factors such as recruitment. Risk detail requires a deep dive with the Equity team. **Likelihood:** Likely **Consequence:** Moderate	**High**	**17**	To confirm with the Equity Team	**Medium**	**12**

Organisational Sustainability The final mapping of costs and FTEs is still subject to refinement and the outcomes of Simplify to Unify consultations; any changes however are anticipated to be cost neutral with transfers between other Directorates. **Likelihood:** Likely **Consequence:** Moderate	**High**	**17**	Verify with each Tier 3 Director	**Low**	**2**

Table 1f: **Infrastructure Investment Group** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Rent reviews / Right of Renewals negotiations may result in unbudgeted cost increases	**Extreme**	**12**	Health NZ to exit and/or consolidate leases from overall property portfolio. Obtain market info to negotiate lease reviews / renewals. Optimise use of or revenue increases of existing Health NZ property portfolio.	**High**	**5**
IIG continue to use of consultants despite opex savings targets	**High**	**17**	IIG National office to oversee consultant spend to ensure local areas aren't commissioning duplicate work. Business cases are not started unless prioritised nationally. Build in house expertise rather than outsourcing. Maximising the use of the IPECT funding for consultants in line with the IIG priorities.	**High**	**5**
IPECT deliverables have been committed, however the in-principle funding may not be approved by the Minister.	**Extreme**	**22**	IIG is ensuring the required templates and proposal are submitted to the Ministry to demonstrate how the funds have / will be committed and spent in 2023/24 to deliver against the expectations of the appropriations.	**Low**	**3**
Utilities costs are higher than budget as demand and market	**High**	**20**	Energy Transition initiatives should reduce exposure but will take time to take effect; Utilities	**Medium**	**11**

pricing is largely unavoidable			contract renegotiations could reduce prices.		
Savings expectations are not achieved in the 2023/24 year	**High**	**18**	Embedding the new IIG operating model should reduce duplication. Regional leads will have a focus on savings and efficiencies in accordance with National priorities. Monthly reporting and holding business units to account for budgets. Ensuring all budget transfers and IIG costs are correctly accounted for in the budget. Maximising the use of the IPECT funding for consultants in line with the IIG priorities.	**Medium**	**5**

Table 1g: **People and Culture** – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Organisational Change Risk	**Extreme**	**22**	Clear communication of the change process, transparent decision making for staff, and P&C leadership team respond to queries	**High**	**20**
Failure of Critical Payroll Process	**Extreme**	**22**	Implement national ways of working by system to enhance knowledge transfer across country	**High**	**20**
Failure of Critical Health and Safety Process	**Extreme**	**22**	Implement national ways of working with specialisation	**High**	**20**
Disparate Budget systems across country and function	**High**	**17**	Continue to enhance central view and find budgets relating to P&C in other functions budgets	**Medium**	**12**
Legacy End of life payroll related software forcing rapid unplanned expenditure	**High**	**20**	Planning underway to surface all legacy challenges	**High**	**20**
Vendor Risks	**High**	**17**	Purchasing and organising at scale can unsettle existing vendors and drive retaliatory pricing during interim transition phases. Engage with procurement and Data & Digital	**Medium**	**8**

			through the whole planned journey.		
Workforce Bargaining Environment	**High**	**17**	Settle Pay equity and MECA claims efficiently and within budget parameters.	**High**	**17**
Organisational decisions to implement programmes that are unbudgeted to be delivered by P&C	**High**	**20**	Seek budget transfers and clear funding for initiatives	**High**	**20**
Legislative compliance.	**Medium**	**8**	National Holidays Act programme and national ways of working.	**Medium**	**8**
Savings Plan Delivery	**High**	**17**	Focus on being efficiently organised through organisation structure design.	**Medium**	**8**

Appendix 3: Detailed Financial Risks and Mitigation

Excerpt of pages 91 and 92 released under section 16(1)(e) of the Act

Financial Management **Risk Owner:** Chief Financial Officer	If Health NZ does not meet its financial obligations in a sustainable way, then fiscal losses could occur, resulting in pressure on funding the reform change programme.	The National Finance Work Programme continues to implement integrated financial planning and reporting across Health NZ. Over the last quarter Health NZ has made progress in the following areas: • **Finance, Procurement, and Information Management (FPIM) system:** 98% of transactional volumes for local areas and shared services entities now integrated onto the new system. Four remaining entities will be migrated onto FPIM by 30 June 2024.	• The National Finance Work Programme continues at pace and covers a range of items, including: o Re-casting financial reporting into the new Health NZ structure and developing reporting to meet the needs of Management and Board. o Banking rationalisation (incorporating Cashflow forecasting). • Transactional operations standardisation and rationalisation (payables, receivables, etc).

		• **Operational and capital plan for 2023/24:** We have developed a full operational and capital plan, and have implemented improvements to enhance cashflow forecasting. Liquidity risk is being managed centrally to ensure all financial obligations are met on a timely basis. • We are monitoring financial performance against the budget on an ongoing basis to ensure the organisation continues to operate within its means. • Planned savings have been phased across the year and are forecast to be fully achieved by year end (30 June 2024).	• Comprehensive and Integrated Capital Plan Reporting. • Implementation of Costing across the whole of Health NZ Hospital and Specialist Services, as per roadmap. • FPIM rollout. Over the last quarter Health NZ has progressed the following mitigation: • The FPIM Programme is on track, as per the approved plan and budget. We now have 25 out of 29 entities on FPIM. The remaining entities make up around 2% of our transactional volumes, with the other 98% now part of local areas and shared services entities that have been integrated on FPIM. By the end of 2024, we will transition HSAAP payments through FPIM as well. • The 2023/24 Budget developed maps to the functional structure now in place for Health NZ. This enables alignment of delegations and reporting against areas of accountability and responsibility, allowing for appropriate decision making and corrective action to be taken when necessary to ensure ongoing financial sustainability. • Year-end forecast is per the budget at this point in the year. Forecast reporting will be provided from February and onwards. Planned savings have been phased reflecting the months in which they are expected to be achieved, and the full-year savings budget is forecast to be delivered. • Health NZ now has visibility of the full Capital programme inherited from previous DHBs, Shared Services agencies, and the Ministry of Health, with enterprise reporting in place. Functional asset portfolios are responsible for implementing the Capex plan, and delegated authorities have been set to ensure expenditure is appropriately approved. A full Capital plan has been developed for 2023/24 and approved by the Board. This has adequate financing, thus enabling supplier obligations to be met. • We have implemented improvements in cashflow forecasting, with cash being managed and monitored centrally. This ensures all financial obligations are met on a timely basis. Cash is also being managed to optimise interest earning.

Hon Nicola Willis

Minister of Finance
Minister for the Public Service
Minister for Social Investment
Associate Minister of Climate Change

19 MAR 2024

Hon Dr Shane Reti
Minister of Health
Parliament Buildings

Dear Shane

This letter is to record in writing my concern about two aspects of performance at Health New Zealand and propose a way forward.

I appreciated our constructive discussion on the Vote Health Budget 2024 package on 11 March 2024. As discussed, I intend to make clear our expectation that Health New Zealand will manage within the funding envelope provided and progress our priorities. The focus of this letter is to set out my concerns regarding Health New Zealand's performance, which we can raise with the Board when we jointly meet with them on 25 March 2024.

1. Financial position in 2023/24

As you will be aware, financial audit adjustments for 2022/23 (resulting from the timing of pay equity payments and COVID-19 stock write-offs) should have resulted in Health New Zealand delivering a surplus of at least $650 million in 2023/24. The Ministry of Health has communicated this clearly to Health New Zealand management and to you as the Minister of Health.

I understand that Health New Zealand is currently forecasting a surplus of only $507 million.[1] I am informed that this is due to a range of one-off or unanticipated (at least by Health New Zealand in its budgeting) costs which the Ministry considers that Health New Zealand should have managed within baselines.

Therefore, were it not for the one-off surplus, my understanding is that Health New Zealand would be forecasting an operating deficit of around $150 million less than the Ministry's expectation for 2023/24. This is of concern, particularly with relation to how it will impact Health New Zealand's opening financial position for the 2024/25 financial year.

Treasury officials met with the Board of Health New Zealand on 23 February 2024 and report that the Board did not seem across the detail of this issue. While $150 million is small in the context of the baseline, I am concerned that the deficit could accumulate over time, as previously occurred with the district health boards. I know we agree on the need for Health New Zealand to fully internalise the message that any operating deficit is unacceptable.

I further understand that the forecast $507 million result relies on Health New Zealand achieving in full forecast savings of $540 million for the year. While Health New Zealand

[1] Refer Health New Zealand's January 2024 month-end financial reporting.

reports confidence it can achieve these savings, I am concerned that these may not be realised.

It is important that any savings are achieved without reductions in service delivery. I am mindful that Health New Zealand was unable to respond to the request to provide delivery data to our Joint Ministers meeting in January 2024. I understand it has also not reported delivery data via its monthly reporting (to monitoring officials and, we understand, to the Board) since August 2023. I look forward to hearing that delivery data is being regularly reported to the Board and monitors, and hope it confirms that delivery for 2023/24 is in line with forecasts.

2. Productivity in the hospital and specialist system

After multiple request and delays, Health New Zealand recently provided to Treasury a draft report on hospital system productivity. While it is limited to one measure (patient caseweights per clinical and support FTE), and one part of the system, it shows a concerning picture of declining productivity, with an average decrease of 1.5% per annum year-on-year between 2015/16 and 2022/23, accelerating rather than slowing in the most recent years. The average cost of hospital FTEs has also risen sharply due to wage and pay equity settlements; so the affordability problem facing Health New Zealand is worse than is suggested by these FTE volume figures.

Current Health New Zealand forecasts for delivery over the next three years imply a continued decline in caseweights per Clinical and Support FTE, though the decline is slower than in the last two years. This is concerning because any feasible funding track for Health New Zealand requires the entity to achieve modest productivity growth each year to offset the cost of increasing technology and patient expectations.

Treasury officials raised this matter with the Board on 23 February 2024 and again, got a sense that the Board was not engaged with the detail of the issue. I am especially concerned that as far as my officials can tell the Board had not, for some months at least, been receiving any information that would allow it to monitor the productivity of the most expensive part of its business – and had not asked for this information.

Ways forward

I believe the solution to these issues lies in a capable board that is meaningfully monitoring and controlling Health New Zealand's financial performance, based on good information that it can understand, probe and challenge to hold management to account.

I endorse your appointment of Ken Whelan as a Crown observer to the Board and your intention to fill the current Board vacancy with someone with health-specific financial expertise. I understand several other Board members have terms expiring mid-year and I encourage you to consider the best use of those positions in light of the above concerns.

I note you also have more direct interventions available to you, for example the ability to appoint a Crown Manager to oversee financial management at Health New Zealand until you are comfortable that things are back on track. I would be grateful for your views here, but my sense is that on balance, it is worth giving a stronger, more capable board a chance to turn the situation around. If you agree, then our monthly Joint

Ministers meetings with the Board (and without management in attendance) will be an important means of monitoring progress.

As mentioned in our recent meeting on 11 March 2024, I am keen to support you as you consider different governance levers and intervention options to support Health New Zealand lift its performance. I suggest you and I have a formal check-in with each other before the end of this financial year to reflect on how things are going.

Thank you for your constructive engagement with me to date on matters of health funding and performance. I look forward to our meeting with Health New Zealand's Board, Joint Ministers meetings and associated conversations.

Yours sincerely

Hon Nicola Willis
Minister of Finance

Briefing

23/24 Revised Budget Target and Financial Pressures

Date due:	21 March 2024	**Priority:**	Urgent
Security classification:	Budget - Sensitive	**Reference:**	HNZ00041624
To:	Hon Dr Shane Reti, Minister of Health		
From:	Margie Apa, Chief Executive		
Copy to:			

Contact for discussion			
Name	**Position**	**Phone**	**1st contact**
Margie Apa	Chief Executive	s 9(2)(a)	X

The following departments/agencies have been consulted:
None

Minister's office to complete

☐ Approved ☐ Declined

☐ Noted ☐ Needs change

☐ Seen ☐ Overtaken by Events

☐ See Minister's Comments ☐ Withdrawn

Comments:

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Purpose

This paper briefs you on the:

- Revision of Health NZ's budget target upwards for 23/24 year; and
- Forecast year-end position and risks to delivering a break even target against Statement of Performance Expectations (SPE) operating budget.

23/24 Budget Target Revision

In October 2023 (post year-end), Health NZ realised a deficit of $1.013 billion. This was agreed with Ministry of Health and the Treasury to reflect the following adjustments:

a) $859 million for pay equity settlements for nursing, midwifery and Allied health staff accounted for in 2022/23, with funding to offset this expected in 2023/24; and

b) $284 million of COVID-19 stock written down in 2022/23. This left a balance of COVID-19 stock of $255m that would impact 2023/24 and/or outyears.

Without these adjustments, Health NZ would have posted a surplus position.

The flow on effect is that a surplus is expected in the 23/24 year, reflecting those year-end adjustments from 22/23. Management KPIs are set against the original SPE break-even operational budget.

Over November 2023 – February 2024, however, the Ministry of Health and Treasury are considering a revised budget target. They suggest a preliminary figure of $650 million surplus, but this has not been formalised in writing.

Their assumptions include an adjustment for the balance of COVID-19 Stock ($255 million), and an estimated capital charge upside of estimated $50 million (assumed to arise from the deficit reducing our Crown Equity balance).

Our view is that an appropriate target to reflect the above assumptions should be $583 million surplus. This is because there has been no reduction in Capital Charge due to the $1 billion deficit impact on Crown Equity being fully offset by a $1 billion increase in Crown Equity due to the asset revaluation gain. In fact, we have been advised this month that we will receive $21 million less than expected for Capital Charge compensation.

Board reporting in January shows a $507 million surplus.

The table below illustrates the difference in views.

Table 1: Reconciliation of initial budget to revised targets under discussion

	Initial Ministry view of revised budget target ($ millions)	Health NZ updated view of revised budget target based on same logic ($ millions)
Initial bottom-line budget result for 2023/24	0	0
Adjustments:		
Pay Equity improvement	859	859
COVID Stock downside	-255	-255
Capital Charge	50	-21
Restated bottom line surplus	654	583

As yet, there has been no formal communication about a revised target and discussions are being held internally at the Ministry. Our view is that a surplus of $583 million would be seen as the target but this does not change our operating assumption that we are working to the published SPE as per our operational budget.

23/24 financial position as at end February 2024 and implications for year-end forecast against SPE budget

We were tracking to meet savings and break-even budget as per SPE operational budget up to end of December 2023. There are six areas where expenditure is tracking outside budget expectations and management interventions are in place to oversee.

- **Internal Personnel over-recruiting, specifically nursing:** the success of recruiting campaigns means that we are now reporting lowest vacancy rate for employed nursing, at 6.2%, for the month of February. The January year-end forecast was premised on assumptions that nursing FTEs would be within budget for the balance of the year and the financial impact of vacancies would remain at the same level. The recent nursing FTE growth is attributed to new graduate nurses and was expected to come back into line. We have not, however, seen the requisite reduction in outsourcing costs as expected. Hospital and Specialist Services leadership has issued instructions to intervene in FTE recruitment that is outside establishment. Controls are being asserted on outsourcing (e.g., overtime, additional hours) while balancing against operational delivery.
- **Clinical supply savings not realised:** the underperformance of procurement and supply chain has made little progress on savings that will be banked this current year (some outyear savings indicated) at the scale expected. s 9(2)(g)(i) [redacted] Further analysis of

medication costs that would be met by Pharmac, which are included in this cost, is under way to support negotiation with Pharmac on the likely impact on rebates.

- **Infrastructure:** a deep dive of over-expenditure in this area is focused on approval of maintenance works over budget, primarily in three local hospitals. The team are reviewing plans to prioritise this work, balancing against health and safety and delivery risks. Although a worse case deterioration of $30 million was forecast at end of January, February results show some improvement with month expenditure being on budget.
- **Leave revaluation following pay equity and Holidays Act**: although assumptions of leave revaluation were built into budget, the impact of Holidays Act and pay equity on payments that have already been made is more than we have assumed. When extrapolated to all payrolls there is a difference of over 10% across all payrolls in the February year-to-date result, and the overall leave revaluation movement is $120 million above the budgeted 6.5% level of $65 million. Further analysis to understand attribution of pay equity and Holidays Act to this issue is in progress. We have, however, raised an issue with the Ministry that pay equity funding does not cover the uplift cost for leave revaluation, including the large leave revaluation uplift for the three metro Auckland districts relating to the Holidays Act that has been paid. We believe the target should be reduced to reflect this cost.
- **Capital Charge:** as described above, there has been no reduction in Capital Charge due to the $1 billion deficit impact on Crown Equity being fully offset by a $1 billion increase in Crown Equity due to the asset revaluation gain. We have been advised this month that we will receive $21 million less than expected for Capital Charge compensation.

Focus on financial & non-financial performance

The Board and management take financial and non-financial performance very seriously, including the current financial position. There are several actions under way to bring Hospital and Specialist Services and maintenance costs back within budget. These include reclarifying and reinforcing accountability at all management levels. Weekly intensive review and intervention has been put in place; this cascades up from the “shop floor” to a meeting of the Chief Executive with key executive team members and all nursing leadership.

Our actions include control of major expenditure areas, notably nursing, clinical supplies and maintenance costs. Examples of the expected actions include bringing paid nursing staff hours back to the agreed budget, reducing overtime and additional payments for all staff, accelerating initiatives to improve national procurement deals and harmonise products, and decisions being taken to bring maintenance back within budget levels.

As part of this focus, we continue to push for further improvements in financial and non-financial performance as we deepen our understanding of running Health NZ as a single entity.

Next steps

All other areas of Health NZ expenditure are tracking at or below budget. With the management interventions summarised above we are tracking indicators of expenditure weekly, with executives accountable. The Board will receive updates in between Board meetings on the trajectory for improvement.

There are a range of other actions that, when consolidated overall, may mitigate these areas of overspend at year end. However, our preferred position is that savings and/or adjustments that free up funding are applied to new investments as agreed between Board and Minister. These actions include ongoing review of accruals, revaluation of balance sheet liabilities and provisions.

There is an underlying increased cost structure of hospital & specialist services against declining productivity that will be addressed over time. It is important to note that a large driver of cost increase is the settlement of pay equity and Holidays Act (impact on leave valuation) entitlements for large portions of the workforce (i.e., nursing, allied health). Addressing this, however, needs to occur with engagement of frontline workforces at a pace that does not compromise quality, safety and service coverage. A whole of system approach that invests in primary and community services to reduce pressure on demand growth (that then drives hospital costs) is a key part of our strategy to achieve this.

Recommendations

Health New Zealand Te Whatu Ora recommends that you:

Note that the Ministry of Health and Treasury are considering a revised 23/24 budget target for Health NZ	Noted
Note that Health New Zealand considers a surplus of $583 million to be an appropriate 23/24 budget target	Noted
Note that the Health NZ Board and management have a range of actions underway to bring Hospital and Specialist Services and maintenance costs back within budget, and a strong focus on strengthening financial controls and accountability for performance.	Noted

Hon Dr Shane Reti,
Minister of Health

Date:

Margie Apa
Chief Executive
Health New Zealand – Te Whatu Ora

Date:

Minister's Comments

Aide-Mémoire

Response to OAG Audit of Health NZ for the Year Ended 30 June 2023

To:	**Hon Dr Shane Reti, Minister of Health**	**Reference:**	**HNZ00040306**
From:	Rosalie Percival, Chief Financial Officer	**Due Date:**	22 March 2024
Copy to:		**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Rosalie Percival	Chief Financial Officer	s 9(2)(a)	**x**
Peter Alsop	Chief of Staff	s 9(2)(a)	

The following departments/agencies have been consulted
N/A

Attachments
Appendix 1: Health NZ response to OAG matters raised

Purpose

1. This Aide-Mémoire responds to your request for information regarding matters raised in the *OAG Te Whatu Ora - Health New Zealand: Audit for The Year Ended 30 June 2023* letter, particularly around actions occurring to address issues raised and wider organisational risks.

Key Summary

2. Health New Zealand | Te Whatu Ora (Health NZ) has identified actions that have either been completed or are agreed to occur to address the matters raised by the Office of the Auditor-General (OAG).
3. Progress of these actions will be independently tracked and monitored by our internal Audit and Assurance function and reported monthly to the Chief Executive and bi-monthly to our Board's Finance and Audit Committee.
4. Most actions are expected to be completed by June 2024.

Background / context

5. OAG's first audit of Health NZ resulted in a non-standard audit report being issued. This was for two reasons:
   i) It included a modified opinion on one aspect of the performance information: cardiac surgery waiting times. Two former districts did not maintain records to enable verification of the reported data.

ii) It included an 'emphasis of matter' relating to the budget figures included in the financial statements. Health NZ was required to compare actual results to forecast financial statements prepared at the start of the financial year. However, Health NZ compared its results to forecasts published on 23/6/23, a week prior to year-end.

6. The audit report otherwise identifies control improvements and includes an unmodified opinion on the financial statements of Health NZ.

Discussion

How we are responding to the modified opinion and emphasis of matter

Performance information - cardiac surgery waiting times

7. Historically, the Ministry of Health did not maintain a centralised database on whether cardiac surgery patients had received treatment within their recommended timeframes. Data was collated from systems (e.g. the patient management system, theatre lists, individual cardiac reports) and reported by individual district health boards for internal use.
8. Further complicating the ability to verify data, each district had different methods of recording their respective waiting list data. Two districts advised that certain aspects of collating cardiac data were not within a database that could be recalled, as the source where data is held is refreshed on a regular basis, removing previous information used to provide earlier data. Data may have been able to be verified by accessing individual patient records. However, this was not considered to be reasonably practicable within OAG audit timeframes.
9. We have now established the National Cardiac Network. The work plan for this Network includes collecting data on cardiac surgery and cardiology and ascertaining the appropriate method of collating meaningful KPIs electronically.
10. For FY2024, we are proposing to change the metric (via the Supplementary Estimates process) to 'The percentage of patients (both acute and elective) who are waiting for treatment beyond 120 days'. This measure can be verified by data extracted from the National Minimum Dataset in National Collections, which records when a patient is waitlisted and discharged.

'Emphasis of matter' relating to the budget figures

11. This issue arose due to the timing of completion of the Statement of Performance Expectation (SPE) and significant additional funding (primarily for COVID-19) being announced after the budgets had been completed. The reporting was against the later approved budget as variances would have been significant and confusing to the reader of the Annual Report. This is not an issue for 2023/24 as the funding and expenditure changes post approval of the 2023/24 SPE are not significant and will be explained as variances. The 2023/24 actual results will be reported against the approved SPE budget.

Progress on each of the 'Other significant issues' raised in both the letter and attachment

Provision for remediation of holidays pay entitlement

12. The Holidays Act Remediation Programme is addressing incorrect leave payments to current and former employees, dating back to 1 May 2010. The complexities of the Holidays Act, the hours our people work and the employment arrangements in place, as well as the state of our payroll systems and processes, make this a very challenging programme of work. Each payroll we inherited was set up differently with different practices and local arrangements in place, and none of them complied with the Holidays Act.
13. Rectification and remediation payments were completed for current employees across our seven payrolls in the Auckland region in 2023. Project teams around the rest of the country are working to remediate our employees on the 17 remaining payrolls.
14. Each payroll will remediate current employees first, then former employees. Our aim is that remediation for all current employees will be completed in 2024. Payments to former employees will start in 2024 with Auckland and other payrolls. The plan is for all payrolls to make required payments to former employees by mid-2025 at the latest. However, it is likely that there will be a residual group of former employees not remediated due to potential difficulties in tracing people.
15. We will also then have to carry out work relating to employees who have transferred between payrolls since July 2022, to ensure any corrections are carried through for their complete period of employment with Health NZ as a single entity.
16. Planning for 2024 has involved sequencing the resources and support needed across the different payrolls, both from local payroll teams and from the external teams providing specialist support and assurance. A rigorous series of checks, testing and external assurance is completed before payments are made, and the system must be rectified. Ongoing attention will be needed to maintain compliance with the Holidays Act post-remediation.

Control environment and other matters

17. Appendix 1 sets out our responses (which have already been provided to the OAG) to each of the matters raised by the OAG in its letter to you (and the attachment). This includes how we have addressed or are addressing the environment, system, and control issues raised.

Our top organisational risks and how they are being managed

18. We report a set of Strategic and Enterprise Risks to the Board and in our Quarterly Performance Report to you (the 2023/24 Q2 report was submitted to your office last week – HNZ HNZ00038361 refers).
19. Each Strategic and Enterprise risk is assigned to an Executive Leadership Team (ELT) owner to progress mitigations. High-level mitigations are updated quarterly and included in reporting to the Finance and Audit Committee and Board.
20. In addition, to date, ELT have presented risk deep dives to Board Committees on 12 out of 15 of the Strategic and Enterprise Risks. A deep dive on Trust and Confidence has been developed and will be presented to the next meeting of our Finance and Audit

Committee. The remaining two risk deep dive areas (Māori Health Aspiration and Equitable Health Outcomes) will be developed once we have finalised our framework on how we will give effect to Te Tiriti principles.

Next steps

21. Actions will be included in our internal Audit and Assurance monitoring processes to ensure they are appropriately addressed within the projected timeframes.
22. Progress will be monitored by our Chief Executive and the Board's Finance and Audit Committee.

Appendix 1: Health NZ response to OAG matters raised

The following provides responses to the 'other significant matters' raised in the OAG audit of Health NZ for FY2023, as listed in the 'attachment' within the letter dated 9/2/24 to the Minister.

Item	Health NZ Response
Procurement, commissioning and contract management 1. *This is an area of significance for the organisation, and indeed for the health sector as a whole. Health NZ is highly reliant on private, community, and third-party providers for the provision of health services and also for the support of its own corporate functions. It is also an area of significant complexity, reflecting that the previous 20 DHBs had different approaches to procurement and commissioning.* 2. *The formation of Health NZ provides an opportunity to leverage its buying power. Health NZ has already noted issues including multiple contracts with the same provider, inconsistent pricing and short-term procurement arrangements. A multi-year change process is underway to address these issues.* 3. *At the time of our assessment of Health NZ's overall procurement, commissioning and contract management arrangements, significant elements of the required work on procurement and commissioning were underway. We would expect to continue to see progress including:* – *Drafting and approving a procurement policy (or policies) to cover all procurement and commissioning activity.* – *Drafting and approving a contract management policy (or include this above) that covers all contract management activity, including both commercial contracts and commissioned services.* – *Reviewing all other policies related to procurement, commissioning and contract management to ensure they are fit for purpose and provide the required direction for staff, including on integrity and ethical issues.* – *Compiling information on the overall pattern of procurement and contracting to inform and enable a more strategic approach than was possible under the previous multiple organisations.* – *Ensuring delivery of a Procurement and Supply Chain strategy.* – *Planning a structured approach to benefits realisation.*	The Procurement and Supply Chain team in Hospital and Specialist Services (HSS) is drafting organisation-wide procurement policies. These policies, which will be ready by the end of June 2024, will not prevent different functions from developing their own contracting and procurement approaches. However, these approaches will need to be consistent with the organisation-wide policy. There will likely be policies related to integrity and ethical issues, financial control and the broader outcomes Health NZ aims to leverage through its spend. The National Contracting and Procurement Team (based in Commissioning) will develop a workplan by June 2024 to establish nationally-consistent contracting and procurement policies, guidance, systems and processes for commissioned services. These will, as above, align with the organisation-wide policies and will ensure nationally consistent processes for: ▪ developing and managing service agreements, including Service Level Agreements (or alternative arrangements) with districts and other government agencies ▪ developing (or adapting) templates and guidance for contracting and procurement ▪ providing coaching, training and support to staff ▪ capturing the benefits of contracting and procurement processes (in line with benefits measurement across Health NZ) ▪ reviewing contracts to: ▪ identify providers who have multiple contracts and determine if consolidation or alternative contracting arrangements will lead to better outcomes ▪ determine the current duration of contracts and develop guidance on terms, with longer-term contracts encouraged where possible ▪ identify how many contracts are paid in draft and provide support to significantly reduce this ▪ work with Finance teams to identify inconsistent pricing across contracts and develop options and guidance related to this
Health Sector Agreements and Payments Systems 4. *The Health Sector Agreements and Payments (HSAAP) systems enable the management of contracts with third-party service providers. These systems process 120 million claims and $13 billion in payments annually for Health NZ and on behalf of other entities such as Te Aka Whai Ora – Māori Health Authority, the Ministry of Health, and Whaikaha – the Ministry of Disabled People.* 5. *Some systems are obsolete and increasingly unstable. They sit on infrastructure that is no longer supported by the vendors; rely on manual controls and the knowledge of key staff and supporting contractors; and the honesty of providers in the sector to provide accurate information.* 6. *We have been highlighting these risks to the Ministry of Health for a number of years (given its previous responsibility for HSAAP). A programme of work commenced in July 2021 to transform these systems so they would be capable of supporting the health sector reforms and to mitigate the growing risk of failure of the current systems.* 7. *We will continue to monitor progress as part of our future audits.*	In Budget 2021, Cabinet provided tagged contingency funding of $137.991 million over five years for the Ministry of Health (subsequently Health NZ) to transform the HSAAP systems. Joint Ministers have approved drawdowns for three tranches of the HSAAP programme. The entire contingency has been drawn down, including a total of $21.185 million in baseline funding to continue work on unfinished HSAAP systems and upgrade a range of connected systems. This will enable these systems to support the health sector reforms and mitigate the risk of them failing. In February 2023, a full Treasury Gateway review of the programme resulted in a 'Delivery Confidence' rating of Amber. This rating was upgraded to Amber-Green following an interim Assurance of Action Plan in May 2023, with all projected benefits expected to be realised with delays. These delays can be attributed, in part, to Health NZ staff, sector commissioners and provider organisations being at or near their capacity to successfully absorb more operational change. A Gateway review commencing on 18/3/24 will provide an up-to-date rating of the programme. Health NZ's internal assessment indicates a current rating of Amber-Red (due primarily to the impact of cost pressures on the programme schedule). The expectation is for full delivery, although the timeframe is expected to exceed the delivery forecast in the business case. Funding is forecast to be sufficient for the longer delivery period, although careful fiscal management will be required to balance the management of legacy system risks with upgrading additional systems that support HSAAP within the budget constraint.

Item	Health NZ Response
Asset management *8. Health NZ relies on a significant asset portfolio to deliver health services across the country.* *9. We considered Health NZ's asset management arrangements, focussing on the Infrastructure and Investment Group (IIG) which has responsibility for facilities infrastructure.* *10. While there is evidence of progress, in our view, it will be important for Health NZ to focus on:* – *documenting comprehensive asset management plans;* – *maintaining comprehensive, up to date asset condition and performance information to support optimal lifecycle asset management planning; and* – *defining clear service levels supported or delivered by the assets and undertaking regular monitoring and reporting against these service levels.*	The recommended focus areas have all been included in the IIG work programme. Work is occurring to align to both the International Infrastructure Management Manual (IIMM) and ISO 55000 (an international standard covering the management of assets). Asset Management Plans will be developed as part of building a national Asset Management Information System (AMIS) and baseline asset condition and performance information. This process is not yet automated, which is a rate-limiting factor in making timely progress. Internal business cases have been developed for these, but funding for both is still to be determined. In the meantime, local approaches will be retained. The timing of this investment will determine how quickly Health NZ can mature its asset management capability. Integration between AMIS and FPIM (Finance, Procurement and Information Management system) to update useful lives will be implemented as the baseline condition assessments of the estate are received. We expect the entire baselining of the estate to take up to five years. Regular monitoring and reporting of maturity journey and the condition and performance of assets is also not able to be undertaken without the baseline data and systems to support. Levels of service are being developed that are objective, auditable and provide measures and a target. This will enable assessment of where the gaps lie and where investment needs to be prioritised. This is dependent on the availability of baseline data and systems.
Valuation of buildings *11. Health facilities are key to service delivery. Understanding their condition is therefore a key input into effective planning and budgeting. Health NZ owns a large portfolio of buildings with a carrying value of $9.0 billion at 30 June 2023.* *12. We were satisfied that the value of buildings presented in the financial statements is reasonable.* *13. We recommended that issues relating to weathertightness, seismic strength, asbestos and/or other contamination should be considered across the entire portfolio of Health NZ's building assets and dealt with consistently and appropriately in 2023/24 valuations.* 14. *We found impairment assessments and impairment testing were completed and documented inconsistently by Health NZ. We were satisfied that any impairment losses would be immaterial to our overall opinion, but note that relevant accounting standards require consistent assessments to be undertaken.*	Health NZ is working through the seismic work programme, which will provide more (though not complete) information on seismic risk. Asbestos management plans are also in place. Health NZ has limited knowledge of weathertightness or contamination issues. Business cases for the gathering of information and system requirements have been developed but require funding decisions. Once funding is approved, the implementation is programmed to take five years. Health NZ will address the consistency of identifying and documenting the impairment assessments in FY2024 year-end preparation instructions to all components (to be completed by mid-June). This will include assessment of Intangible asset work in progress.
Financial information systems and controls *15. The continued operation of the system of internal control during any period of change is important to provide assurance about the reliability of financial and service performance information, both for decision making and annual reporting purposes.* *16. The transition from the previous entities and functions to Health NZ would have put core systems, processes, and control activities under strain and it was therefore possible that controls may not have continued to be effective to mitigate the risk of fraud and error through this period of change.* *17. We did not identify deficiencies in the system of internal control significant to forming our opinion.* 18. *We also concluded that all General information technology controls (GITCs) were designed and implemented appropriately and were operationally effective for the period under review. However, we note that the former districts are still running their own individual payroll and clinical systems and their own network infrastructure. Specific recommendations for improvement to GITCs are listed under 'Financial Information Systems and Controls' below.*	Health NZ's responses to items raised for 'Financial Information Systems and Controls' are provided below, see items 20.5 – 20.7.
Environment, systems, and controls for measuring financial and service performance	Individual responses are provided below, see items 20.1 – 20.12.

Item	Health NZ Response
19. *Our conclusions on the management control environment, systems, and controls for measuring financial and service performance for Health NZ, for the year ended 30 June 2022/23, are set out in the table below.* 20. *We made our conclusions in the context of our work in forming an opinion on the financial and performance statements. The purpose of commenting on the underlying environment, systems, and controls is to highlight areas for improvement we identified during our audit. The grades assigned for 2022/23 are based on the accountability documents relating to that year. They are not an assessment of overall management performance, or of the effectiveness of Health NZ in achieving its financial and service performance objectives. (For an explanation of the grading scale and underlying scope please see Assessing and grading systems and controls — Office of the Auditor-General New Zealand (oag.parliament.nz))*	
20.1 Management control environment (Needs Improvement) *We understand none of the sub-committees of the Board are reviewing the service performance of Health NZ against the targets that have been set. It would seem appropriate for the Finance and Audit Committee (FAC) to regularly review the service performance information.*	Reports on service performance are currently considered by several parties: functional leadership teams, the Operational Performance Committee of ELT, ELT as a whole, Board committees and the Board. This includes consideration of various reports and artefacts, including monthly and quarterly reports that are also provided to the Ministry of Health and Minister as part of our formal accountability arrangements. Additionally, Health NZ has worked with the Ministry to develop a monitoring framework, which includes wider monitoring of the work that we do. Performance will always need to be considered by multiple groups across management and governance domains. However, Health NZ will consider whether it can strengthen flow, cadence and coherence across different groups to ensure that, together, there are strong arrangements in place to monitor and drive performance improvement through management accountabilities. The Board discussed this recommendation when it considered the Q2 report in February 2024. It has asked for more detail on timeframes for the flow of such reporting information (taking into account data availability timeframes) and impacts on publication deadlines.
20.2 Management control environment (Needs Improvement) *A process should be put in place to enable the FAC to exercise scrutiny over key judgements made by management in applying accounting policies and in making accounting estimates, prior to the Board being asked to approve the financial statements.*	As part of preparations for the end of FY2024 and annual audit, Health NZ will prepare a paper to the FAC. This paper will outline all the Annual Report balances where key judgements are made by management in applying accounting policies and in making accounting estimates. This includes the critical judgements in accounting policies and critical accounting estimates and assumptions disclosed in Note 1 to the financial statements. Health NZ will provide details of the approach we employ to establish reliable values for the key judgement areas, including details of any external expert resources engaged to assist. A paper on the key judgements made by management in applying accounting policies and in making accounting estimates was provided to the FAC on 8/3/24. Ongoing updates will be provided to the FAC as work occurs towards finalising results for FY2024.
20.3 Management control environment (Needs Improvement) *Health NZ has made a start on completing a fraud risk assessment but needs to complete a comprehensive assessment across the organisation and update this periodically. The fraud risk assessment should be shared with the FAC and the Board and used as an input into the annual Internal Audit Plan/Programme of Work.*	A comprehensive fraud risk assessment has been conducted across Health NZ. The draft report (including agreed-upon management actions) is in the final stages and is due to be presented to the FAC and Board in April 2024. The output of the assessment will feed into the organisational risk management processes, which will manage and update it on an ongoing basis. Details from the assessment will also (along with other sources of information) feed into the prioritisation of areas for assurance in the annual Internal Audit Plan/Programme of Work by June 2024.
20.4 Management control environment (Needs Improvement) *Health NZ has yet to introduce a system to enable positive assurance to be provided to senior management and the Board on the organisation's compliance with legislative obligations. Health NZ should put a system and procedures in place to monitor compliance with legislative requirements and provide assurance to senior management and the Board that legislative requirements are being complied with.*	Following the health sector reforms, legislative compliance has continued to be managed largely through new national policies or (in areas where national policies have not yet been established) existing local policies (i.e. district or shared services policies). Furthermore, there are compliance reporting systems via which staff may report legal risks, potential breaches, and clinical and health and safety risks. One example is the Health Integrity Line, which enables staff and others to anonymously report (either via phone or online) fraud, policy breaches or any other concerning matters relating to Health NZ.

Item	Health NZ Response
	As policies are the primary mechanism for ensuring compliance, Health NZ started a Policy Harmonisation Programme (PHP) in December 2022. The PHP will assess which policy aspects are relevant for all staff, align policies with legislation and best practice, and create a repository of clear, up-to-date, accessible and approved policies for everyone. A legislative compliance policy is expected to be developed as part of the PHP. Once this policy is finalised and rolled-out, we will consider an appropriate compliance assessment framework.
20.5 Financial information systems and controls (Needs Improvement) *General information technology controls:* – *password settings should be consistently aligned to good practice;* – *ensure user access settings are regularly reviewed and current; and* – *reconsider business continuity and disaster recovery plans based on the opportunities from an integrated national organisation.*	Data and Digital are progressively working to strengthen Health NZ's security posture and the resilience of the ICT ecosystem. ▪ **Password settings.** Although many of our systems are compliant, not all are capable of meeting the New Zealand Information Security Management (NZISM) standard. These system constraints are being progressively addressed through upgrades and application modernisation, and managerial controls will be strengthened by the Identity and Access Management (IDAM) solution (see below). ▪ **System access.** Basic access provisioning controls are in place for individual applications. For example, while Health NZ is now a national entity, local policies and practices for removing access from systems (triggered by an exit notification) remain in place. Health NZ also has the 'macro level safeguard' of network access controls, which sits above individual application access. This means that people require access to the network, and being deactivated prevents a person accessing the vast majority of individual applications. The key improvement opportunity is to strengthen controls via the Active Directory. A national policy to deactivate the overall accounts after a defined period of inactivity will be rolled out across the country. This would mean that people lose access to the Health NZ network and therefore can no longer access the systems. Business Owners of the relevant applications will also conduct annual reviews around levels of access, based on information provided by Data and Digital. In addition, the use of generic accounts will be restricted to mitigate the associated risks. A programme of work is underway in the Identity and Access Management (IDAM) space to provide managers with direct control over access and privileges. The initial go-live, scheduled for Q1 of FY2025, will deliver base capability to core services. Over the next three years, functionality will be rolled out to legacy systems. In addition, overarching Data and Digital policies will be signed off by Q3 of FY2025. ▪ **Strengthening of disaster recovery.** A key distinction has been made between Disaster Recovery (DR) (restoring hardware, software and data) and Business Continuity Plans (BCPs) (the processes required to continue functioning without Data and Digital services). Data and Digital has the accountability for DR and individual business units have the accountability for BCPs. Artificial intelligence (AI) and machine learning powered software have been deployed to help us understand our application landscape and provide insight around our current infrastructure. This will assist in planning the approach to DR across the country and building on existing controls in place. In addition, targeted investments are planned to upgrade and remediate the most critical areas of technical debt. This is being prioritised nationally to ensure Health NZ allocates funds to the areas of greatest need. However, it should be noted that disaster recovery solutions are generally provisioned at the individual application level, so there are limited synergies from being a national entity. Disaster recovery capabilities will ultimately be improved for all applications as part of the Digital Modernisation investments (including migration to hybrid-multi cloud solutions in some cases). A list of priorities has been established in Q2 FY2024 as part of Budget 24. The timetable for resolution will be informed by the timeframe for Digital Modernisation investments, with further clarity expected as part of the upcoming budget preparations.
20.6 Financial information systems and controls (Needs Improvement)	There is currently an interim Sensitive Expenditure policy, which applies to staff employed in the National office. An organisation-wide policy will be created as part of the PHP (see

Item	Health NZ Response
Policies, procedures, and practice in relation to sensitive expenditure are not in line with current good practice. We found instances where transactions did not comply with policy, they were not coded to the correct account, or they did not follow a 'one-up' approval principle: – *policies should be reviewed and updated to meet current good practice, and management and staff should be suitably trained on the policies and procedures and on exercising judgement as to what is reasonable expenditure;* – *Health NZ should ensure the 'one-up' approval principle is followed and appropriate evidence of the approval is retained; and* – *a monitoring and reporting regime should be implemented for sensitive expenditure incurred.*	above) and will ensure the recommendations raised in this report are addressed. The Sensitive Expenditure Policy has close links with a number of other policies, which will need to be reviewed at the same time to ensure completeness, consistency and conciseness. As national policies are developed, Health NZ will ensure people are suitably trained and supported to understand them. Health NZ's Internal Audit team are carrying out an audit of sensitive expenditure nationwide (covering 29 entities) and applying the AOG Guidelines on sensitive expenditure (i.e. not relying solely on the districts' policies). The internal audit coverage is the entirety of FY2023.
20.7 Financial information systems and controls (Needs Improvement) *Systems and processes need to be put in place to identify the related party transactions that are required to be disclosed in the notes to the financial statements.*	At the end of FY2024, all identified related party entities will be reviewed in Health NZ ledgers to identify any non-arms-length transactions. Internal Audit RPA tools are currently running over the Companies Office data looking for related parties. These will be updated to include Board and ELT members.
20.8 Performance information and associated systems and controls (Needs Improvement) *Two former districts were unable to provide supporting records for the information on cardiac surgery they submitted during the 2022/23 period. We were therefore unable to verify results to underlying data/records. Point in time information and supporting records should be retained by all areas that carry out cardiac surgery.*	Historically, the Ministry of Health did not maintain a centralised database on whether cardiac surgery patients had received treatment within their recommended timeframe. Data was collated from systems (e.g. the patient management system, theatre lists, individual cardiac reports) and reported by individual district health boards for internal use. Further complicating the ability to verify data, each district had different methods of recording their respective waiting list data. Two districts advised that certain aspects of collating cardiac data were not within a database that can be recalled, as the source where data is held is refreshed on a regular basis, removing previous information used to provide earlier data. Data may have been able to be verified by accessing individual patient records. However, this was not considered to be reasonably practicable within audit timeframes. Although Health NZ initially inherited the decentralised approach, we have now established the National Cardiac Network. The work plan for this Network includes collecting for cardiac surgery and cardiology and ascertaining the appropriate method of collating meaningful KPIs electronically. For FY2024, Health NZ is proposing a change to the metric (via the Supplementary Estimates process) to 'The percentage of patients (both acute and elective) who are waiting for treatment beyond 120 days'. This measure can be verified by data extracted from the National Minimum Dataset in National Collections, which records when a patient is waitlisted and discharged.
20.9 Performance information and associated systems and controls (Needs Improvement) *It is important for Health NZ to be able to tell its performance story well. The annual report would benefit from a clear performance framework and an overall summary of where the system is performing well and where it is not across output classes. Having a consistent structure for presenting performance information for each output class would help the reader to understand the performance information.*	Health NZ is currently developing an entity-wide performance framework. This will be implemented from July 2024. The *Health New Zealand | Te Whatu Ora 2023/24 Annual Report* (which will be published in November 2024) will include, where possible, an overall summary of where the organisation is or is not performing well. This will enable readers of the report to easily understand overall performance.
20.10 Performance information and associated systems and controls (Needs Improvement) *There was limited reporting of sub-national performance information in the annual report. Health NZ should continue to expand the number of measures where performance is reported on a sub-national basis to better enable readers to understand the variability that exists, the action(s) Health NZ is undertaking to address any variability and whether progress is being made to reduce this.*	The *Health New Zealand | Te Whatu Ora 2023/24 Annual Report* will, where possible, include more granular geographic and ethnicity data and narrative. This will reflect any unwarranted variability in performance and highlight the actions taken to address this. Discussions have already begun to ensure Health NZ has the resources to include full-year performance, particularly, where possible, data reflecting sub-national performance.

Item	Health NZ Response
20.11 Performance information and associated systems and controls (Needs Improvement) *The coverage and depth of the descriptions and explanations of performance, particularly when targets are not met, should be enhanced.* *For a number of measures, only quarter four results were reported. For some other measures, results were only available up to 31 March 2023. Service performance information should be presented for the full year.*	Health NZ is working towards ensuring a better performance story is told across all reporting. The Audit New Zealand recommendations will be applied to the commissioning and refinement of the *Health New Zealand | Te Whatu Ora 2023/24 Annual Report*.
20.12 Performance information and associated systems and controls (Needs Improvement) *National data sets used for reporting service performance information should be reconciled with data sets held in individual patient management systems (at local level) on a regular basis and differences identified and resolved prior to year-end. Health NZ should ensure that listings are comparable across the country.*	Health NZ has already implemented the following changes to improve data integrity: ▪ Processes are in place for districts to monitor their ED data in the National Collection (NNPAC) and amend records if necessary. ▪ Qlik apps are available to district staff to enable visibility of their data in National Collections for easy comparison back to their local reports. ▪ A quality assurance process has been introduced which requires sign-off of data validity by Chief Medical Officers and Health Analytics Managers. ▪ Sign-off by the Group Directors of Operations in each district is required for each quarter starting Q2 FY2024. Additional measures planned are: ▪ Communication with district staff will be managed differently for the next audit to ensure they are aware of scope, including end-to-end auditing of their data. This will commence in April 2024. ▪ A Measures Library will be established to make data definitions easily accessible to district staff. The first version will be published by 30/6/24. ▪ Permissions to access identifiable health data for the Audit NZ team will be facilitated early in the cycle to enable timely access to randomly selected records. A privacy impact assessment (PIA) has already been documented and will be shared with districts prior to the audit.

Health New Zealand
Te Whatu Ora

22 March 2024

Hon. Dr Shane Reti
Minister of Health
Parliament Buildings

Tēnā koe Minister,

Response to letter from Minister of Finance

The Board is in receipt of a copy of a letter from the Minister of Finance to you dated 19 March in which a number of serious allegations are made about the performance of the Health New Zealand Board. We wanted to respond without delay as in our view, those allegations present an unfair and incomplete view of the position.

We are preparing a detailed paper for you setting out the financial calculations and monitoring metrics supporting our position below but the comments that have been made in our view warrant an immediate response to the clarify the position.

The Minister of Finance's letter makes two allegations - one relating to the projected year-end financial position in 2023/24 and the second related to the Board's focus on productivity. We address each of these below.

Financial position 2023/24

As you are already aware from our discussions, recent analysis has indicated the year end surplus may be around $583m (not the $507m prior forecast noted in the letter) rather than the $650m that would have been expected (all things being equal) as a carry-over from the year end timing of accounting treatment at the end of 2022/23. The Minister's letter implies that this is due to Health New Zealand not properly managing costs and living within its baselines. Our advice is that the lower-than-expected surplus projection is most significantly due to the funding for the pay equity and Holidays Act changes central Government required us to make, (and which we were assured would be fully funded from the centre) being insufficient to cover the leave revaluation aspects of these adjustments. In addition, changes have been made to capital charge from the centre that were not foreseeable by us.

We do think it is worth noting that in our first year of operation we would have delivered a surplus but for last minute accounting treatments and timing provisions, and delivered annualised repeatable savings of $500m which we have reinvested in improved health services and meeting cost pressures.

Productivity in the hospital and specialist system.

While acknowledging that there was a delay in the productivity report coming to Treasury, this delay was caused by a number of requests from the Ministry of Health that added complexity to the analysis creating the delay.

We acknowledge and agree that there is a concerning trend of declining productivity in the sector and the sharp rise in wage costs (including mandated pay equity settlements, Holiday Act adjustments and facilitated bargaining) over recent years has seriously increased the per

FTE cost of personnel. This is a matter of ongoing focus for us in the highly constrained and unionised Employment Relations framework in which we must operate.

The letter suggests that these matters were put to us in our meeting with the Treasury Secretary and her colleagues on 23 February and the Board "was not engaged with the detail". With respect, this is strongly denied to the extent that our board has remarked on reading the letter, that that doesn't in any way reflect the meeting they were at. In fact, the Board had had a detailed session in our strategy meeting the day before on declining productivity in the HSS sector and the criticality of addressing this. Had the Secretary of Treasury asked us for our position and plans on this we would have been more than happy to have that discussion with her but that did not arise. The meeting instead consisted of the Secretary explaining the difficult fiscal position the Government was in and making it clear that containing health sector cost pressures within baselines would be expected with which we agreed. A discussion then followed about opportunities we saw to achieve savings and ways we could work together better to minimise further cost increases. As always within the time available the discussion was high level but at no point was the Board asked for its input on the ways in which productivity is overseen or our thinking on, and commitment to, improving it.

We want to assure you that as a Board we are committed to and focused on raising productivity and ensuring good financial discipline. It is worth noting that we understand that all the current board members were selected after an extensive independent process for their skills and experience including in financial, commercial and transformation disciplines.

We are all aware of the complexity of the transformation, the scale of issues Health New Zealand is having to address, and the time scale involved. The Board will always be open to doing things differently to better support the Government's objectives and find more effective ways of engaging with your officials. Equally we agree and are very clear that there is significantly more work to be done within Health New Zealand to maximise the performance of the health sector, but we are of the view that written reflections, such as those in the letter of 19 March, should fully describe matters in a way that fairly reflect the complete context. It is imperative that we are all able to operate together effectively towards improving outcomes.

I am of course happy to discuss any of these matters, or any other areas of concern you or your colleagues may have, directly at any time and hope the above comments will helpfully inform our Joint meeting on Monday 25th March.

Ngā mihi maioha

Dame Dr Karen Poutasi
Chair

Aide-Mémoire

23/24 Budget – Response to Financial Pressures

To:	**Hon Dr Shane Reti, Minister of Health**	**Reference:**	**HNZ00041829**
From:	Margie Apa, Chief Executive	**Due Date:**	23 March 2024
Copy to:	Di Safarti, Director General, MoH Simon Medcalf, DCE, MoH	**Security level:**	Sensitive

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Margie Apa	CEO	s 9(2)(a)	**X**
Rosalie Percival	CFO		

Purpose

1. This paper follows up an earlier aide-mémoire regarding Health NZ's 23/24 Revised Budget Target and Financial Pressures. This paper elaborates, as we undertook to do previously, on financial assumptions and measures we are taking to respond to these areas of pressure.

Background

2. This paper assumes we are working to a revised Budget surplus of $583m that reflects the flow on effects of 22/23 year-end adjustments. If you recall, this is yet to be formalised with MoH and Treasury. The table below repeats our advice earlier showing the differences in agency calculations. This paper does not elaborate on this as it is subject to advice to you from officials. I restate it here to provide context to the work we are doing to address the following areas of financial pressure.

	Initial MOH view of revised budget target	Health NZ updated view of revised budget target based on same logic
	$Ms	$Ms
Initial Bottomline budget result for 2023/24	0	0
Adjustments:		
Pay Equity improvement	859	859
COVID Stock downside	-255	-255
Capital Charge	50	-21
Restated bottom line surplus	654	583

3. Following Board meeting of 22nd March 2024, we elaborate on the financial assumptions and measures taken to address those 4 pressure areas being:
    - Internal Personnel over-recruiting specifically nursing (most significant)
    - Clinical supply savings
    - Infrastructure
    - Leave revaluation.

Internal Personnel over-recruiting specifically nursing

4. The following table shows that nursing is overspent by ($51m) year to date as at end February. If unmitigated the overspend could continue up to approximately ($467m) without intervention based on the Jan/Feb run rate.
5. In the month to end February 24, we have recruited more than 2,432 nurses with year to date actual 38,915 FTEs against budgeted 36,483. The significant lift in nursing is partly due to more than 1200 new graduate nurses employed over Dec/Jan. It is also likely to reflect both recruitments to fill established vacancies AND recruiting more than the budgeted additional Care Capacity Demand Management vacancies of 500 FTEs.
6. Budgets were set on an assumption that vacancy savings would provide headroom and reduction in outsourcing. All vacancy rates are reducing in a short period of time for example nursing has reduced from 7.2% as at end January from 6.2% end February – this is a significant drop. Outsourced personnel captures costs of overtime and additional payments and incentives to encourage rosters to be filled during times of shortage and clinical risk of not providing cover.
7. Outsourced personnel has not reduced as expected in the same two month period and may represent a lag as new staff are inducted to rosters. Unmitigated, outsourcing could reach up to ($170m) by year end. Interventions to reduce this are described below.
8. There are some upsides within Internal Personnel staffing e.g. $71m from medical and allied health vacancies. On the downside, nursing represents the most significant area of risk.

	'Year to Date to end Feb 24			Full Year	Last year Year to Date
Group $Millions	Total Actual	Total Budget	Variance	SPE Budget	Actuals
Nursing Personnel	3,268	3,217	(51)	4,825	2,570
Outsourced Personnel	345	194	(152)	291	303

9. The Hospital and Specialist Group have the following interventions in place to manage costs:
    - Rebasing regional and local budgets including FTEs to align costs to funding and accountabilities;
    - Review of rosters to reduce unnecessary overtime or outsourced staffing against established staffing;

- 'targets' that Regional Directors will be accountable for delivery to improve the forecast year end result including leave management
- Management/Admin recruitment freeze
- Clinical supplies savings with reduction in volumes being used and efforts to reduce wastage;
- Deferral and delay of costs in non-critical areas/projects
- Extracting payroll data to provide more real time insights on whether changes are occurring in between month end.

10. There are areas where national policies are likely to have a significant impact on local hospital budgets such as incentive payments to ensure medical cover for rosters (e.g. RMO incentives for unsociable shifts and COVID leave). A review of these policies and the conditions for their use is in progress – this requires consultation with unions.
11. The H&SS have a performance management framework in place that comprises three areas:
    - ***Service Delivery Performance:*** Accountability for service delivery is now established against a performance measurement framework operated by the Delivery unit of H&SS. An example is the development of dashboard to monitor and manage theatre utilisation: A Theatre Utilisation Expert Advisory Group (TEAG) was established to determine key metrics. The TEAG agreed to report against: theatre usage, theatre utilisation, efficiency, cancellations, late starts/early finishes, turnaround time, and activity. These metrics are reported via dashboards which went live on 11 March 2024. The insights are being actively used to drive action to improve theatre efficiency.
    - ***Workforce productivity:*** Workforce productivity, through activity per FTE, and FTE were identified as critical measures for monitoring productivity and agreed by the ELT and Board. The technical issues are being resolved to enable routine reporting with measures in place to give us insight on the impact of the above operational efficiency work programme. It will also be used to plan future performance expectations.
    - ***Service Delivery Productivity:*** Activity Planning and Outsourcing for H&SS is well underway as part of Budget 24/25 service planning. This includes the productivity requirements in the agreed service delivery plans for each region (previously known as production plans). The programme for this work will be completed by 31 May 2024.
12. It should be noted that work on productivity is not limited to H&SS. Work is underway to improve our understanding to drive action to improve productivity in the funded sector as they have flow on implications for hospital demand (e.g. primary care, aged care).

Clinical Supply Savings Not Realised

13. The 23/24 Savings programme included ($74m) from clinical supply savings and is falling short of this target. This programme has been challenged by inflation greater than CPI due to global supply issues. The bottom table shows the current position that, without intervention could grow from current position of ($84m) overspend. This cost line is impacted by the timing and calculation of Pharmac rebates for pharmaceuticals.

Group $Millions	'Year to Date to end Feb 24			Full Year	Last year Year to Date Actuals
	Total Actual	Total Budget	Variance	SPE Budget	
Clinical Supplies	1,503	1,419	(84)	2,134	1,627

14. A joint governance group with Pharmac is in place to address the following workstreams that will give Health NZ more real time information and advice on pharms and ensure the opportunities from savings on medical device procurement are fully realised:
    - Savings from the development of the Health Systems Catalogue (HSC)
    - Managing price increases for contracted medical devices
    - Supply Chain optimisation and Product Rationalisation
    - Contracting of medical devices
    - Health Technology Assessment (HTA)
    - Delivery of new pharmaceuticals
    - Systems integration
15. A Taskforce is established led by CEO to support a rapid induction of new leader who arrives early April for Procurement and Supply Chain to fast track review of savings opportunities in this area. We are seeking experienced advisors from private sector to further add expertise to our work.

Infrastructure

16. The following table shows the over expenditure year to date that at ($26m) and, if the trend is unmitigated could overspend by ($50m) by year end. The over expenditure is largely attributed to a few local hospitals with particular outsourcing arrangements that require closer monitoring.

Group $Millions	'Year to Date to end Feb 24			Full Year	Last year Year to Date Actuals
	Total Actual	Total Budget	Variance	SPE Budget	
Infrastructure and non-clinical supplies	1,024	998	(26)	1,505	1,021

17. While maintenance is currently an overspend against existing budget, we are mindful that historical deferral of maintenance can impact on health and safety risk. There are areas that subject to further assessment where staff are working in conditions that place at risk their wellbeing and continuity of patient services but are subject to business case development e.g. Laboratories, Emergency Departments. Notwithstanding the above, Regional Directors, Infrastructure are putting in controls to limit maintenance expenditure where appropriate.

Leave Revaluation

18. As referred to in the previous paper, although assumptions of leave revaluation were built into budget, the impact of Holidays Act and pay equity on payments that have already been made is more than we have assumed.

19. When the metro-Auckland payments were extrapolated to all payrolls there is a difference of over 10% across all payrolls in the February year-to-date result. The overall leave revaluation movement is $120 million above the budgeted 6.5% level of $65 million. Further analysis to understand attribution of pay equity and Holidays Act to this issue is in progress. More detailed analysis is underway.
20. We have, however, raised an issue with the Ministry that pay equity funding does not cover the uplift cost for leave revaluation, including the large leave revaluation uplift for the three metro Auckland districts relating to the Holidays Act that has been paid. We believe the surplus budget target should be reduced to reflect this cost. Our proposal is that the surplus of $583m could be reduced to reflect this cost as it is not within our baselines.

Next steps

21. Management are reporting against the above actions to Board weekly. Other parts of the organisation are tracking to or below surplus budget. This is alongside a whole of system approach that invests in primary and community services to reduce pressures on demand growth (that then drives hospital costs) and improves timely access and health outcomes for the population.

Recommendations

Health New Zealand Te Whatu Ora recommends that you:

Note further elaboration on cost pressures as follow up to the 23/24 financial pressures.	Noted

Hon Dr Shane Reti,
Minister of Health

Date:

Margie Apa
Chief Executive
Health New Zealand – Te Whatu Ora

Date:

April 2024 Documents

Date	Title	Decision on release
4 April 2024	Letter, HNZ, *Arrangements related to sharing of Board papers*	Released in full.
17 April 2024	Letter, HNZ, *Financial Performance and Productivity*	Released in full.
26 April 2024	HNZ00041829-Aide Mémoire – *March 2024 Monthly Performance Report*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – Some information withheld under section 9(2)(b)(ii) as, if released, it would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. **Appendices 2, 3 and 4** – Withheld in full as out of scope. Document does not contain any financial information.
30 April 2024	HNZ00045901-Aide Mémoire – *February Monthly Performance Report*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendices 1, 3, 4 and 5** – Withheld in full as out of scope. Document does not contain any financial information **Appendix 2** – Released in full.
30 April 2024	Letter, Minister Reti, *Letter of Expectations for Infrastructure 2024/25*	Released in full.

[redacted]

Health New Zealand
Te Whatu Ora

4 April 2024

Dr Diana Sarfati
Director-General
Ministry of Health
Diana.Sarfati@health.govt.nz

Tēnā koe Di

Arrangements related to sharing of Board papers

We have recently begun providing you with Board papers and I would like to clarify arrangements with you through an exchange of letters. Thank you for your attention to this important matter.

For the Board's monthly meetings, our Board Secretary will provide your team, through the role of DDG Regulation & Monitoring, with the Board's meeting agenda and full Board pack. On occasion, it is possible there may be specific reasons for why a particular paper may not be able to be provided, or be handled in a different way; we will be open about this if required at the time.

For clarity, we will not include any papers for the Board's strategy session held the day before the Board meeting. Those sessions are typically exploratory in nature; a chance for the Board and ELT to workshop key issues and challenges, including emergent thinking.

Likewise, from time to time the Board will also convene additional meetings, where urgent engagements or decisions are required out of our normal cycle. We do not intend to provide you with papers from such meetings, though both Margie and I will be alert to keeping you abreast of key business at these engagements. Our monthly Board pack also typically references any decisions from these engagements as part of ensuring a complete Board record.

In addition to the Board pack, each month we will also provide you with paper packs for each of the Board's committees. This will help give you visibility of workflow, and provide assurance of the Board's focus, through its use of committees, on a wide range of organisational issues. It is important to note that Committees do not have decision-making delegations; they support the Board to discharge its responsibilities, with work reported and decisions recommended to the Board.

In response, I would appreciate a written assurance from you that appropriate protocols are in place to handle the information provided to you in a confidential and secure way. For example, we agreed circulation should be limited, and a register of document provision/receipt should also be kept. The information provided should also only be used for the purposed provided, i.e. to support monitoring.

As discussed, I support provision of material to the Treasury, to a named individual with assurances about confidentiality. Our Board pack always contains significant sensitive information and that information will be debated at the Board table. This is important context.

[redacted]

Alongside paper provision as outlined above, we have agreed to reset monitoring engagements, centered around a monthly presentation from the executive management of Health NZ about performance. This will also include key officials from central agencies. Alongside Health NZ performance reports, the monthly presentation session will help ensure we share key performance insights, supporting you to both monitor and advise Ministers effectively. Any more detailed work can also be commissioned with joint agreement on the purpose of such work to both make the best use of our resources and to ensure clarity regarding the source of relevant metrics.

In closing, we will also provide you with a more detailed commentary on your team's Q2 monitoring report, to inform how we improve our joint approach to Q3. This includes agreeing process steps between us from quarter closure to final content going to the Minister. Margie will be in touch with Simon.

Thank you for your support of this process. I look forward to confirmation from you shortly.

Nāku noa, e rā

Karen

Dame Karen Poutasi
Chair

Health New Zealand
Te Whatu Ora

17 April 2024

The Hon. Dr Shane Reti
Minister of Health
Parliament Building
Wellington

Dear Minister

Financial Performance and Productivity

This letter follows up an action from our meeting with joint Ministers on 25th March. We were asked by the Minister of Finance to share measures that the Board will be reviewing to assess both financial performance and productivity of Health New Zealand | Te Whatu Ora (Health NZ).

Below is a subset of measures that the Board receives that we could report to Ministers directly. You will note that we frame these in four quadrants of performance:

1. Financial performance
2. Workforce productivity
3. Health Targets as the Government's priorities
4. Commissioned services.

This is a subset and, as you know, we are continuing to work with Ministry of Health to refine the broader set of measures across the accountability documents including GPS, SOI and SPE and New Zealand Health Plan. The above subset is at the top level of a performance framework that will cascade measures down throughout Health NZ. This is to ensure accountabilities are clearly translated throughout the organisation.

We welcome your feedback and can begin reporting against these measures as part of our monthly advice to you when you agree.

Yours sincerely

Dr Dame Karen Poutasi
Board Chair
Health New Zealand | Te Whatu Ora
cc: Dr Diana Sarfarti, Director-General of Health, Manatū Hauora
cc: Caralee McLeish, Secretary & Chief Executive, The Treasury
cc: Simon Medcalf, Deputy Director-General, Regulation & Monitoring, Manatū Hauora

Health New Zealand | Te Whatu Ora, Kotuku House, 4 Osterley Way, Manukau, Auckland 2104

Health New Zealand Balanced Scorecard

HEALTH NZ TE WHATU ORA BALANCED SCORECARD

For month **Feb-24**

HEALTH TARGETS

	MONTH	MTH TREND	TARGET	VOLUME	COMPLIANT
ED stays <6 hrs (SSED)	70.1%		95%		
First Specialist Assessment <4 mths (ESPI2)	65.2%		95%		
Planned treatment <4 mths (ESPI5)	61.3%		95%		
Cancer treatment <31 days	81.2%		90%		
Immunisation coverage at 24 mths	81.0%		95%		

COMMISSIONED SERVICES

	CURRENT MTH	PREV MTH	MTH TREND
PHO enrolment rate			
Primary care contacts			

	BEDS	VACANCIES
Aged Residential Care (at month end)		

FINANCE

	YEAR TO DATE ($000)			Forecast to year end		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
NET RESULT						
REVENUE						
EXPENDITURE						
Operational						
Capital						
Labour						

WORKFORCE PRODUCTIVITY (LAST 12 MONTHS)

	CWD	6 YEAR TREND	NZWAU
ACTIVITY			

	HSS CLINICAL & SUPPORT	TOTAL*
FTE		
COST PER FTE		

	CWDs per FTE	COST PER NZWAU
RATIOS		

Aide Memoire

March 2024 Monthly Performance Report

To:	**Hon Dr Shane Reti, Minister of Health**	**Reference:**	**HNZ00041767**
From:	Peter Alsop	**Due Date:**	26 April 2024
Copy to:		**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Peter Alsop	**Chief of Staff**	s 9(2)(a)	**x**
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	

Attachments

1. **March Monthly Performance Report** *
   - i) **March Financial Report**
   - ii) **March Te Pae Tata Milestones** *
   - iii) **March Activity Dashboard** *
   - iv) **March National Health Targets** *

*** N.B. Not in scope, no financial information**

Peter Alsop
Chief of Staff

Purpose

1. Please find attached our March monthly report.

Context

2. The Board reviewed and discussed the March report at its April meeting.

3. Our monthly reports are not proactively published.

4. Copies of the report have been provided to the Ministry and the Treasury.

5. As earlier advised, we have commenced (using the March report) a monthly performance workshop with the Ministry, Treasury, DPMC, and PSC. This now provides a better opportunity to discuss and challenge our performance.

Next Steps

6. We would be pleased to discuss the March results with you as useful.

26 April 2024

Monthly Finance Report for Board

Period Ended 31 March 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Key Points

2023/24 Operational Budget	Budget Target	Actual YTD	Year End Forecast	Gap to close
	$m	$m	$m	$m
1.7.23 Planned Operating result	$0			
31.3.24 Operating result	$583	$299	$541	-$42
29.2.24 Savings	$540	$383	$ 525	-$15

- The operating result for the month is a $196m surplus, which is $220m favourable to budget. The year-to-date result is a surplus of $299m, which is $300m favourable to budget.
- Movements in the month were in line with the previous month's forecast track and there is an improvement in the run rate for Hospital and Specialist Services and Infrastructure and investment. The major items that improved the result in March were Pharmac revenue for pharmaceutical cancer treatments and hospital medicines catching up with the spend $63m, revision of expenditure accrual amounts against clear liabilities $89m, release of income in advance $11m, and some of the expected upside for nursing costs $33m.
- The year end forecast has improved to $541million surplus, currently $42m less than the target surplus of $583million. Work continues to close this gap completely.
- Closing cash for Te Whatu Ora at 31 March 2024 was $1.73 billion including trust funds.
- Reporting on savings for the nine months to 31 March 2024 is still being compiled. To recap, the February year to date forecast savings was $525m versus $540m target. A separate paper on details of the savings for the eight months to 29th February, year end forecast by functional service area and where the savings have been applied has been provided separately.

Key issues, risks & work plan

In March, nursing FTEs were greater than budget by 2,079 in the month and 878 year-to-date. Unbudgeted CCDM costs resulting in payment of higher than budgeted ordinary hours for nursing are the largest risk to achieving the desired surplus. In addition, settlement of Collective agreements above budgeted levels plus unfunded impact of pay equity and Holidays Act payments on leave revaluations are also increasing pressure on the budgeted expenditure levels.

The Draft Statement of Performance Expectation (SPE) financial forecasts have been prepared based on the parameters set for the Budget 2024. These are included in the Board agenda for this meeting and will continue to be refined as detailed operational budget developments progress across all functional areas. The final SPE will be approved by the Board in June.

Capital Expenditure (Capex) for the year-to-date to 29 February 2024 is $935m, against a budget of $1.827 billion, thus $892m below plan. Work is ongoing to develop the medium to long term Capex intentions for asset portfolios and to introduce multi year capital planning. Current Capex performance is being reviewed as part of the Capex planning processes.

Roll out of the FPIM system continues with 26 components now migrated, Lakes being the most recent addition in March. There is now one more district (Tairawhiti) and two shared service agencies (Healthshare and Central TAS) yet to be migrated onto FPIM and these will be completed by June 2024.

Cash Flows & Balance Sheet March 2024

Group Cash Flow Statement for the YTD to 31 March 2024	($M)	Month Mvmt
Cash Flows From Operating Activities		
Cash was provided from:		
Appropriations	16,750	
Other Government	3,195	
Receipts from Customers	554	
	20,498	
Cash was applied to:		
Payments to Employees	9,339	
Payments for Hospital Supplies	4,512	
Payments to Community Providers	6,839	
	20,690	
Net Cash Flows from Operating Activities	(192)	
Cash Flows From Investing Activities		
Cash was provided from:		
Interest Received	132	
Sale of Fixed Assets	18	
	150	
Cash was applied to:		
Purchase of PPE and Investments	**1,085**	
Net Cash Flows from Investing Activities	(935)	
Cash Flows From Financing Activities		
Cash was provided from:		
Equity Injections re Capital	812	
Other Non-Current Liability and Equity Movements	28	
	840	
Cash was applied to:		
Interest Paid	23	
Finance leases and other debt	3	
	26	
Net Cash Flows from Financing Activities	**815**	
Net Cash Flows from All Activities	(313)	
Cash at Beginning of Period	2,043	
Cash at 31 March	**1,730**	

Group Balance Sheet as at 31 March 2024	($M)	Month Mvmt
Current Assets		
Cash represented by:		
Cash - BNZ Sweep	1,631	
Cash - Trusts and Other Accounts	71	
Short Term Investments less than 3 months	28	
	1,730	
Other Short Term Investments	30	
Prepayments	144	
Debtors	584	
Inventory	383	
Other	4	
	2,874	
Current Liabilities		
Creditors	1,397	
Income in Advance	53	
Capital Charge Payable	129	
GST Input/Output Adjustments	154	
Payroll Accruals (unpaid days)	346	
Employee Deductions Liability (PAYE, Kiwisaver)	191	
Employee Entitlements	516	
Accrued Leave, including LSL & Holidays Act	3,397	
Other Provisions, Term Loans and Financial Liabilities	46	
	6,230	
Net Working Capital	**(3,356)**	

Group Balance Sheet as at 31 March 2024 (cont'd)	($M)	Month Mvmt
Non Current Assets		
Land	1,720	
Buildings and Plant	8,785	
Clinical Equipment	699	
Other Equipment	141	
Information Technology	95	
Software	272	
Motor Vehicles	25	
Work in Progress	2,318	
Investments in Subsidiaries and Associates	4	
Long Term Investments	64	
Other	64	
	14,186	
Non Current Liabilities		
Employee Entitlements - Non Current Portion	298	
Term Loans	100	
Restricted Trusts and Special Funds	54	
Other	5	
	457	
Net Funds Employed		
Crown Equity	8,545	
Capital Injections	812	
Revaluation Reserve - Land	1,637	
Revaluation Reserve - Buildings	5,536	
Other	52	
Retained Earnings	(6,213)	
	10,370	

Commentary on significant movements in the month in the Cashflow Statement and Balance Sheet:

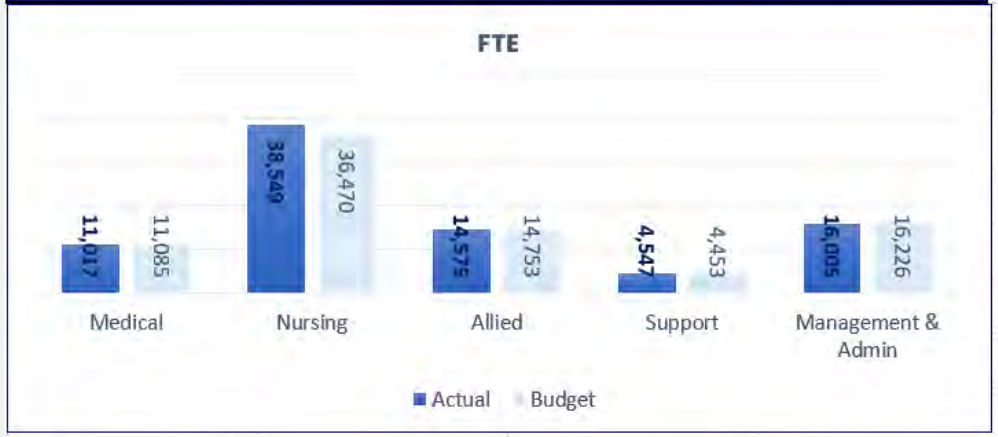
- Appropriations are largely in line with monthly average receipts
- Creditors: Investigation and deep-dive analysis into balance sheet led to the refinement (reduction) of some expenditure accruals in this month.
- Capital Charge: accrued to account for the monthly equivalent of anticipated Capital Charge invoiced to Health New Zealand (6 monthly payments). Increase to account for the Jan - March equivalent of the anticipated June charge.
- Employee entitlements: decrease in the month relating to the release of additional Allied Health Pay Equity provisions in March.

Finance Dashboard: March 2024

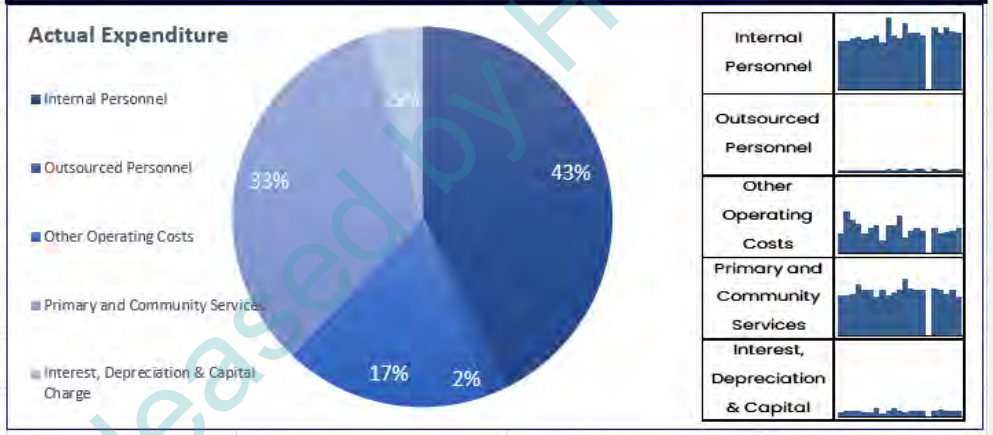
Result	Actual $m	Budget $m	Variance $m
Month	196	(25)	220
YTD	299	(0)	300

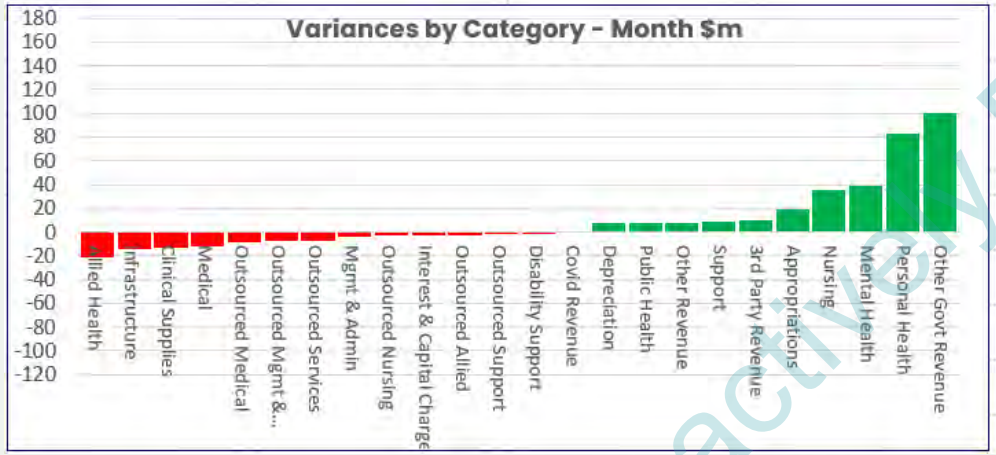
Staffing	Actual	Budget	Variance
FTE Month	84,693	82,987	(1,706)
$m Month	948	956	9

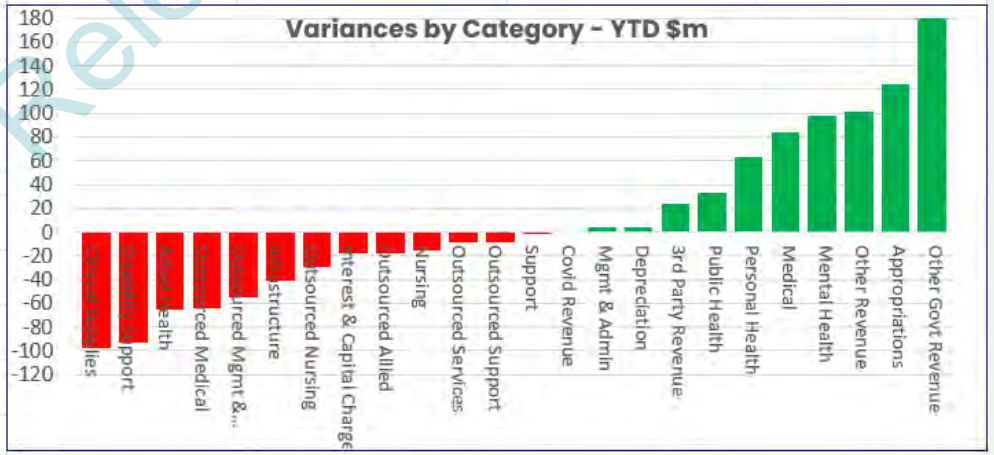
Month



YTD







Statement of Financial Performance Mar-24

Health New Zealand Te Whatu Ora Group $Millions	Month Total Actual	Month Total Budget	Month Variance	Year to Date Total Actual	Year to Date Total Budget	Year to Date Variance	YTD Last Year Actuals
Revenue							
Appropriations	1,955	1,935	20	17,558	17,433	124	17,110
Other Government Revenue	315	214	101	2,203	1,923	280	1,794
Third Party Revenue	16	6	10	78	54	23	60
Other Revenue	44	36	8	426	324	101	325
Total Revenue	**2,330**	**2,191**	**138**	**20,263**	**19,735**	**529**	**19,288**
Expenditure							
Internal Personnel							
Medical Personnel	274	262	(12)	2,242	2,326	84	2,105
Nursing Personnel	371	407	36	3,640	3,624	(15)	3,127
Allied Health Personnel	143	122	(21)	1,150	1,085	(65)	984
Support Personnel	21	30	9	268	266	(2)	249
Management & Admin Personnel	138	135	(4)	1,222	1,227	4	1,307
Subtotal	**948**	**956**	**9**	**8,522**	**8,528**	**6**	**7,772**
Outsourced Personnel							
Medical Personnel	19	10	(9)	153	88	(65)	123
Nursing Personnel	4	1	(3)	37	8	(29)	27
Allied Health Personnel	3	1	(2)	26	8	(18)	15
Support Personnel	2	1	(2)	14	5	(9)	12
Management & Admin Personnel	20	12	(8)	165	109	(55)	171
Subtotal	**48**	**25**	**(24)**	**394**	**219**	**(175)**	**348**
Other Operating Costs							
Outsourced Services	73	66	(8)	597	588	(9)	1,012
Clinical Supplies	195	182	(13)	1,698	1,601	(97)	1,794
Infrastructure & Non-Clinical Supplies	141	127	(14)	1,165	1,125	(41)	1,151
Subtotal	**410**	**375**	**(35)**	**3,461**	**3,314**	**(147)**	**3,957**

Commentary

The year-to-date net operating result is $300m favourable to budget.

Key drivers for the favourable variance year-to-date and some improvements in the month include:

Revenue favourable mainly due to:

- Pay equity funding being received this year and unbudgeted PHARMAC funding which has offsetting expenditure.
- PHARMAC revenue for 2023/24 is expected to be s 9(2)(b)(ii) more for the year, of which s 9(2)(b)(ii) had been previously provisioned for, hence a s 9(2)(b)(ii) further improvement in the month.
- PCT Washups 2022/23 $30m of additional washup for last year has been found and confirmed with PHARMAC
- Higher than planned ACC revenue

Review of balance sheet accruals:

- Accounting review of all material accrual entries contributed to an improvement in the month
- Income in advance balances have been reassessed against contractual provisions and expenditure to date and $11m has been released in the month.

The favourable movements noted above mask underlying adverse variances in the following:

- Staffing costs, while appearing to be on budget, given the accounting treatment of the $644m for nursing pay equity, we would have expected the costs to be favourable to budget YTD. Cost pressures are driven by FTEs greater than planned (including CCDM), Pay equity and Holidays Act payments' impact on leave revaluations, employee settlements greater than planned levels, National Incentive Payments for Unsociable shifts and Covid Special leave costs.
- Outsourced personnel costs, unfavourable due to cover for staff gaps and initiatives
- Clinical supplies, unfavourable mainly due to inflationary cost pressures and unrealised savings.

Statement of Financial Performance (cont'd)

Primary and Community Services							
Personal Health	381	464	82	4,072	4,135	63	3,777
Mental Health	29	68	39	517	614	97	459
Disability Support Services	197	196	(1)	1,854	1,761	(94)	1,583
Public Health	16	24	7	173	207	33	449
Subtotal	**623**	**751**	**128**	**6,617**	**6,717**	**100**	**6,267**
Interest, Depreciation & Capital Charge							
Depreciation	66	73	7	623	628	5	558
Interest & Capital Charge	39	37	(3)	348	330	(18)	290
Subtotal	**105**	**109**	**4**	**971**	**958**	**(13)**	**848**
Total Expenditure	**2,134**	**2,216**	**82**	**19,964**	**19,735**	**(229)**	**19,193**
Net Surplus/(Deficit) from Operations	**196**	**(25)**	**220**	**299**	**(0)**	**300**	**96**

Full Year Forecast 2023/24

Group $Millions	Year to Date Total Actual	Total Budget	Variance	YTD Last Year Actuals	Full Year Forecast	Full Year Budget	Full Year Forecast Variance
Revenue							
Appropriations	17,558	17,433	124	17,110	23,612	23,239	373
Other Government Revenue	2,203	1,923	280	1,794	2,878	2,564	314
Third Party Revenue	78	54	23	60	146	72	74
Other Revenue	426	324	101	325	556	432	124
Total Revenue	**20,263**	**19,735**	**529**	**19,288**	**27,192**	**26,308**	**884**
Expenditure							
Internal Personnel							
Medical Personnel	2,242	2,326	84	2,105	3,056	3,096	40
Nursing Personnel	3,640	3,624	(15)	3,127	4,750	4,825	75
Allied Health Personnel	1,150	1,085	(65)	984	1,469	1,444	(25)
Support Personnel	268	266	(2)	249	361	354	(7)
Management & Admin Personnel	1,222	1,227	4	1,307	1,622	1,622	0
Subtotal	**8,522**	**8,528**	**6**	**7,772**	**11,258**	**11,340**	**178**
Outsourced Personnel							
Medical Personnel	153	88	(65)	123	187	117	(70)
Nursing Personnel	37	8	(29)	27	42	11	(31)
Allied Health Personnel	26	8	(18)	15	30	11	(19)
Support Personnel	14	5	(9)	12	19	7	(12)
Management & Admin Personnel	165	109	(55)	171	197	146	(51)
Subtotal	**394**	**219**	**(175)**	**348**	**475**	**291**	**(184)**
Other Operating Costs							
Outsourced Services	597	588	(9)	1,012	781	781	0
Clinical Supplies	1,698	1,601	(97)	1,794	2,380	2,135	(245)
Infrastructure & Non-Clinical Supplies	1,165	1,125	(41)	1,151	1,555	1,505	(50)
Subtotal	**3,461**	**3,314**	**(147)**	**3,957**	**4,716**	**4,422**	**(295)**
Primary and Community Services							
Personal Health	4,072	4,135	63	3,777	5,484	5,526	42
Mental Health	517	614	97	459	766	819	53
Disability Support Services	1,854	1,761	(94)	1,583	2,409	2,348	(61)
Public Health	173	207	33	449	234	277	43
Subtotal	**6,617**	**6,717**	**100**	**6,267**	**8,893**	**8,970**	**77**
Interest, Depreciation & Capital Charge							
Depreciation	623	628	5	558	846	846	(0)
Interest & Capital Charge	348	330	(18)	290	463	440	(23)
Subtotal	**971**	**958**	**(13)**	**848**	**1,309**	**1,286**	**(23)**
Total Expenditure	**19,964**	**19,735**	**(229)**	**19,193**	**26,651**	**26,308**	**(343)**
Net Surplus/(Deficit) from Operations	**299**	**(0)**	**300**	**96**	**541**	**0**	**541**

Commentary

Last month we forecast a surplus ranging from $264M to $502m following a review of emerging cost pressure risks noted below and assuming a range of mitigation options are implemented:

- Internal personnel over-recruiting, specifically nursing;
- Clinical supplies savings not realised;
- Maintenance costs over budget; and
- Leave revaluation movements significantly above budget.

Reviews of balance sheet accruals have been completed which have resulted in release of expenditure accruals and income in advance, contributing to the significant improvement indicated in the month of March.

Funding analysis has also been completed resulting in further unbudgeted revenue expected from Pharmac. Actions to mitigate costs pressures are underway, this includes controls relating to recruitment and resourcing models. Nursing FTEs are still higher than budget in the month and YTD.

Following March reviews, the forecast surplus has been revised to $541m (shown in the table) and assumes corrective actions continue to progress for the balance of the year for the first 3 items above.

We have not yet been formally advised by central agencies of the expected forecast for 2023/24. We expect the required forecast to be around $583m as described in the paper presented to the Board in March.

Capital Expenditure (Capex) YTD February 2024

Capex performance is summarised in the table below. Adjustments to the approved Capex budget reflect new Capex items approved, substitutions, use of contingency and anomalies resolved. Detailed reviews of Capex forecasts will be completed during March and April as part of the Capex Budgeting process, having considered status of business case development and approval, procurement processes and capacity.

Table 1: Consolidated Capex Performance (by asset class) for the eight months ended 29 February 2024:

(-ve) - spend below Capex budget / (+ve) spend above Capex budget

Amounts in $ Millions	2023/24 YTD Capex Perfomance				2023/24 Full Year Capex Budget, Budget Changes and Forecasts				
Asset Category	Actual	Budget	Variance (YTD Actual to Budget)	Commitments	2023/24 Budget	Budget Changes	Revised Budget	Forecast	Variance (Forecast to Revised Budget)
Clinical Equipment	142	275	(134)	137	427	12	440	376	(64)
Facilities	689	1,231	(542)	1,407	1,968	28	1,997	1,659	(338)
ICT (incl. Software)	87	268	(181)	72	432	3	434	353	(82)
Motor Vehicles	6	11	(5)	5	20	0	21	20	(1)
Other Equipment	6	13	(7)	5	23	3	26	18	(8)
Contingency / Pooled Funds	5	28	(23)	4	49	0	49	30	(19)
Total	**935**	**1,827**	**(892)**	**1,630**	**2,920**	**48**	**2,967**	**2,456**	**(511)**
National Capex Pool	0	0	0	0	130	(25)	104	104	0
National Contingency budget	0	0	0	0	50	0	50	50	0
Total	**935**	**1,827**	**(892)**	**1,630**	**3,099**	**22**	**3,121**	**2,610**	**(511)**

2023/24 Capex Report YTD Feb-24 (cont'd)

Table 2: Capex Report (by region / district) for the eight months ended 29 February 2024:

Amounts in $ Millions

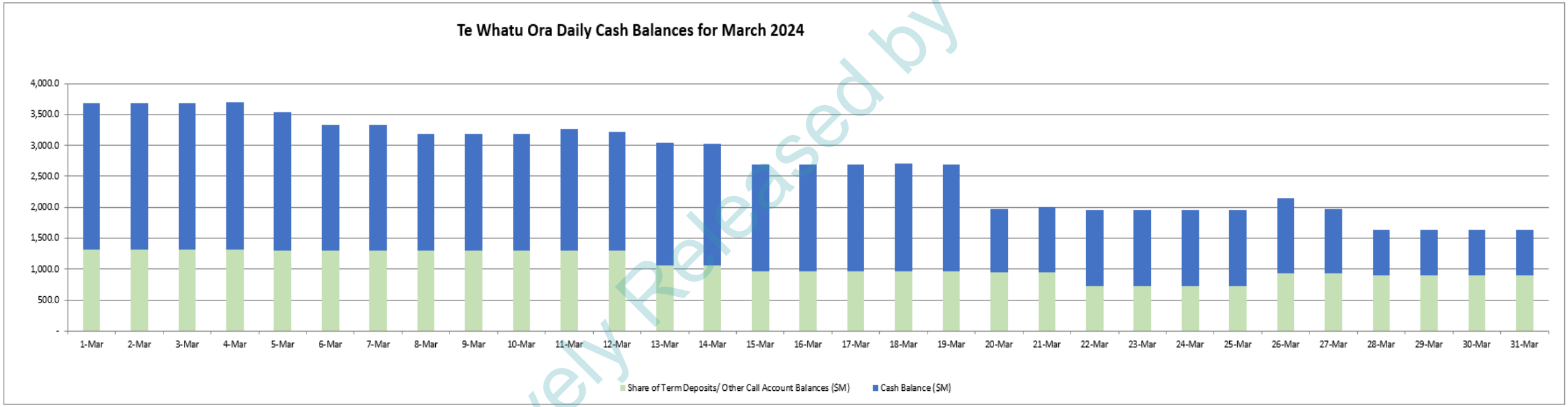
Region	District	YTD Actual	YTD Budget	Variance (YTD Actual to Budget)	Purchase Order Commitments	Full Year Forecast 2023/24
Northern	Te Tai Tokerau	31.16	38.23	(7.07)	21.66	58.77
	Waitematā	137.81	198.14	(60.33)	159.74	277.50
	Te Toka Tumai Auckland	135.42	257.06	(121.64)	184.06	323.50
	Counties Manukau	79.11	146.76	(67.65)	223.47	195.18
Sub-Total		**383.50**	**640.19**	**(256.69)**	**588.93**	**854.94**
Te Manawa Taki	Waikato	39.61	129.87	(90.27)	146.30	191.42
	Hauora a Toi Bay of Plenty	17.63	43.87	(26.23)	6.60	55.50
	Lakes	13.22	41.28	(28.06)	5.36	64.71
	Tairawhiti	2.63	15.67	(13.04)	0.00	3.34
	Taranaki	88.52	132.74	(44.22)	156.77	177.21
Sub-Total		**161.60**	**363.42**	**(201.82)**	**315.04**	**492.19**
Central	Te Matau a Maui Hawkes bay	13.55	29.58	(16.04)	12.84	42.72
	Whanganui	6.53	14.85	(8.32)	1.97	13.98
	Te Pae Hauora o Ruahine o Tararua Midcentral	37.51	125.92	(88.40)	16.31	108.01
	Wairarapa	0.44	5.46	(5.03)	0.09	8.69
	Hutt Valley	13.09	28.30	(15.21)	4.36	44.97
	Capital & Coast	43.70	59.10	(15.40)	2.06	109.08
	Central Region TAS	0.00	0.00	0.00	0.00	0.00
Sub-Total		**114.82**	**263.21**	**(148.39)**	**37.63**	**327.45**
Te Waipounamu	Nelson Marlborough	9.13	36.61	(27.48)	21.02	63.12
	Te Tai o Poutini West Coast	3.85	8.58	(4.73)	1.64	8.40
	Waitaha Canterbury	47.22	71.18	(23.96)	404.76	85.19
	South Canterbury	2.81	7.01	(4.21)	2.24	15.79
	Southern	16.26	41.64	(25.38)	12.41	35.93
	Brackenridge Estate Ltd	0.00	0.53	(0.53)	0.00	0.00
	Canterbury Linen Services	0.00	0.27	(0.27)	0.00	0.00
Sub-Total		**79.26**	**165.82**	**(86.56)**	**442.07**	**208.43**
National	National Data & Digital	82.38	261.74	(179.36)	67.27	344.53
	IIG	113.43	132.14	(18.71)	179.46	228.97
Sub-Total		**195.81**	**393.88**	**(198.07)**	**246.74**	**573.50**
Total		**935.00**	**1,826.52**	**(891.53)**	**1,630.41**	**2,456.51**
National Capex Pool		0.00	0.00	0.00	0.00	104.27
National Contingency budget		0.00	0.00	0.00	0.00	50.00
Total		**935.00**	**1,826.52**	**(891.53)**	**1,630.41**	**2,610.78**

Cash Balances 31 March 2024

Te Whatu Ora Daily Cash Balances for March 2024

Balance at 31/03/2024 $1639.5m

Date	1-Mar	2-Mar	3-Mar	4-Mar	5-Mar	6-Mar	7-Mar	8-Mar	9-Mar	10-Mar	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar	16-Mar	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar	22-Mar	23-Mar	24-Mar	25-Mar	26-Mar	27-Mar	28-Mar	29-Mar	30-Mar	31-Mar
Cash Balance ($M)	2,374.5	2,374.5	2,374.6	2,379.6	2,221.3	2,029.8	2,024.5	1,878.3	1,878.4	1,878.4	1,959.7	1,914.1	1,973.0	1,958.4	1,731.9	1,732.0	1,732.0	1,747.4	1,719.5	1,021.9	1,050.9	1,230.7	1,230.8	1,230.9	1,220.7	1,213.0	1,040.3	742.3	742.2	742.3	742.5
Share of Term Deposits/ Other Call Account Balances ($M)	1,310.3	1,310.3	1,310.3	1,310.9	1,308.7	1,305.3	1,305.5	1,302.9	1,302.9	1,302.9	1,306.0	1,305.1	1,065.2	1,065.1	964.6	964.6	964.6	965.4	965.0	946.6	947.6	732.6	732.6	732.6	733.0	929.0	925.8	896.9	896.9	896.9	897.0
Te Whatu Ora Total Treasury Balance ($M)	3,684.8	3,684.8	3,684.9	3,690.4	3,529.9	3,335.0	3,330.0	3,181.2	3,181.3	3,181.3	3,265.7	3,219.3	3,038.2	3,023.4	2,696.5	2,696.5	2,696.6	2,712.8	2,684.5	1,968.5	1,998.5	1,963.4	1,963.4	1,963.5	1,953.7	2,142.0	1,966.1	1,639.2	1,639.2	1,639.3	1,639.5



Comments:
Te Whatu Ora liquidity was steady during March and in line with expectations.

Paid Full Time Equivalents - March 2024

Nb For the purposes of financial reporting, this table represents FTEs that are paid. In other reports for the purposes of workforce development, data may be used from Health Workforce Information Programme (HWIP).

	Month			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
FTE								
Medical Personnel	11,017	11,085	67	10,765	10,881	116	10,468	10,958
Nursing Personnel	38,549	36,470	(2,079)	37,401	36,522	(878)	34,667	36,503
Allied Health Personnel	14,575	14,753	178	14,050	14,548	497	13,804	14,625
Support Personnel	4,547	4,453	(93)	4,531	4,490	(42)	4,368	4,476
Management & Admin Personnel	16,005	16,226	221	15,758	16,256	498	15,983	16,245
Total	**84,693**	**82,987**	**(1,706)**	**82,505**	**82,697**	**192**	**79,290**	**82,806**

Commentary:

Medical and Allied Health FTEs are below budget for the month and YTD reflecting vacancies.

Nursing FTE are significantly over budget for the month and YTD reflecting vacancies filled, new graduate nurses, leave cover, safe staffing levels and overtime.

Management and Admin personnel are below budget for the month and YTD due to reform savings initiatives and holding vacancies.

Note that YTD, all clinical staffing categories have higher actual paid FTEs than for the same period 12 months ago and management and admin FTEs are lower.

Note: Internal Personnel are staff employed directly by Te Whatu Ora, outsourced personnel are people not directly employed who are paid via agencies and individual contracts.

Aide Memoire

February Monthly Report

To:	**Hon Dr Shane Reti, Minister of Health**	**Reference:**	**HNZ00045901**
From:	Peter Alsop	**Due Date:**	30 April 2024
Copy to:		**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Peter Alsop	**Chief of Staff**	s 9(2)(a)	**x**
Lisa Williams	Head of Strategy, Planning and Performance	s 9(2)(a)	

Attachments

1) **February Monthly Performance Report** *
2) **February Financial Report**
3) **February Te Pae Tata Milestones** *
4) **February Activity Dashboard** *
5) **February National Health Targets** *

*** N.B. Not in scope, no financial information**

Peter Alsop
Chief of Staff

Purpose

1. Please find attached our February monthly report. Due to an administrative error, we apologise this report was not provided to you at the intended time.

Context

2. The Board reviewed and discussed the February report at its March meeting.

3. Our monthly reports are not proactively published.

4. Copies of the report have been provided to the Ministry and the Treasury.

Next Steps

6. We would be pleased to discuss the February results with you as useful.

30 April 2024

Monthly Finance Report for Finance & Audit Committee

Period Ended 28 February 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Key Points

- The operating result for the month is a $78m surplus, which is $25m favourable to budget. The year-to-date result is a surplus of $104m, which is $79m favourable to budget.
- Closing cash for Te Whatu Ora at 31January 2024 was $1.625 billion including trust funds.
- A breakeven budget was approved for 2023/24. However, as a result of the 2022/23 year end audit, expenditure for pay equity was accrued last year while the revenue to offset this is realised in the current year. Treasury and MoH expectations were for this to result in a $650m surplus in the current year.
- Based on the February YTD result, we have reforecast the year-end result to a range from a surplus of $264m (worst case scenario – partial mitigation) to a surplus of $502m (best case scenario) depending on various options and actions to resolve the cost pressures.
- There is a separate paper on this agenda on operational pressures on year-end forecast and potential revised expectations from the Ministry on year-end financial position.
- Detailed savings reporting isn't available yet for the year-to-date to February. This will be reported to the Finance and Audit Committee and a verbal update will be provided to the Board at the meeting.

Key issues, risks & work plan

A key emerging issue is the significant increase in nursing FTEs (and cost), with FTEs greater than budget by 2,432 in the month and 728 year-to-date. Unbudgeted CCDM costs are also contributing to the risk to achieve the desired surplus. In addition, settlement of Collective agreements above budgeted levels and unfunded impact of pay equity and Holidays Act payments on leave revaluations are also increasing pressure on the budgeted expenditure levels.

Development of detailed operational budgets for 2024/25 is underway with budget settings now set for HNZ functional areas. Overall, the detailed budget is being developed in line with the parameters set for the Budget 2024. A paper on the operational budgeting approach is an agenda item at this meeting.

Capital Expenditure (Capex) for the year-to-date to 31 January 2024 is $835m, against a budget of $1.519 billion, thus $685m below plan. Work has started to develop the medium to long term Capex intentions to introduce multi year capital planning. Current Capex performance will be reviewed as part of the Capex planning processes.

Roll out of the FPIM system continues with 26 components now migrated, Lakes being the most recent addition in March. There is now one more district (Tairawhiti) and two shared service agencies (Healthshare and Central TAS) yet to be migrated onto FPIM and these will be completed by June 2024.

Cash Flows & Balance Sheet February 2024

Group Cash Flow Statement for the YTD to 31 January 2024	($M)
Cash Flows From Operating Activities	
Cash was provided from:	
Appropriations	14,884
Other Government	2,873
Receipts from Customers	458
Interest Received	119
	18,334
Cash was applied to:	
Payments to Employees	8,341
Payments to Hospital Suppliers	3,986
Payments to Community Providers	6,166
	18,494
Net Cash Flows from Operating Activities	(160)
Cash Flows From Investing Activities	
Cash was provided from:	
Equity Injections re Capital	680
Sale of Fixed Assets	18
Cash was applied to:	
Purchase of Property, Plant and Equipment	956
Net Cash Flows from Investing Activities	(258)
Net Cash Flows from All Activities	(418)
Cash at Beginning of Year	2,043
Cash at 30 June	**1,625**
Represented By	
BNZ Sweep account	1,548
Term Deposits	28
Trusts and Other Accounts	49
	1,625

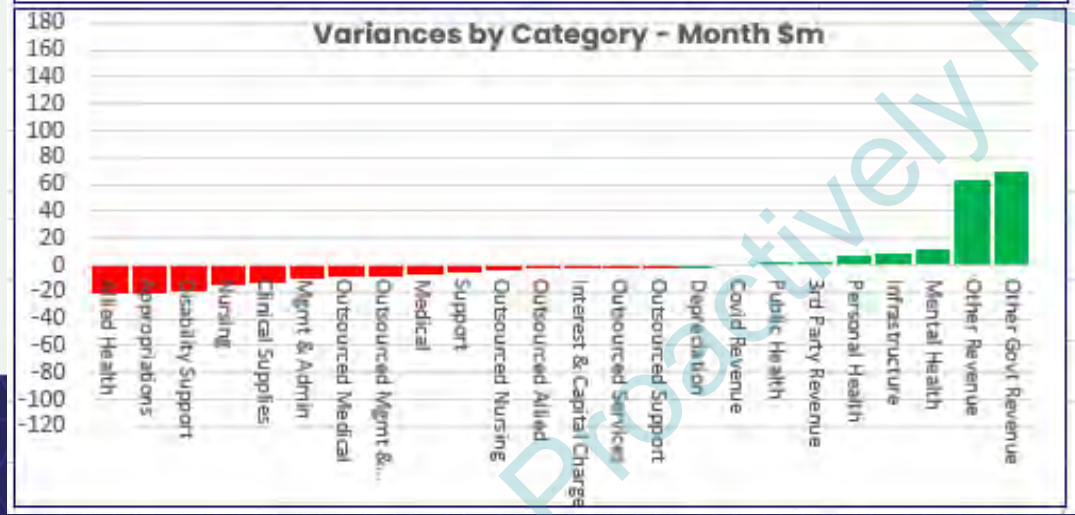
Group Balance Sheet as at 31 January 2024	($M)
Current Assets	
Cash - BNZ Sweep	1,548
Cash - Trusts and Other Accounts	49
Term Deposits	28
Short Term Investments	31
Prepayments	195
Debtors	511
Inventory	389
	2,751
Current Liabilities	
Creditors	1,619
Income in Advance	66
GST Input/Output Adjustments	151
Payroll Accruals	512
Employee Entitlements	683
Accrued Leave	3,330
	6,362
Net Working Capital	(3,611)

Group Balance Sheet as at 31 January 2024 (cont'd)	($M)
Non Current Assets	
Land	1,720
Buildings and Plant	8,804
Clinical Equipment	686
Other Equipment	141
Information Technology	96
Software	278
Motor Vehicles	20
Work in Progress	2,232
Investments in Subsidiaries and Associates	4
Long Term Investments	117
Other	8
	14,105
Non Current Liabilities	
Employee Entitlements - Non Current Portion	297
Term Loans	95
Restricted Trusts and Special Funds	98
Other	5
	495
Net Funds Employed	
Crown Equity	8,545
Capital Injections	680
Revaluation Reserve - Land	1,637
Revaluation Reserve - Buildings	5,536
Other	8
Retained Earnings	(6,408)
	9,999

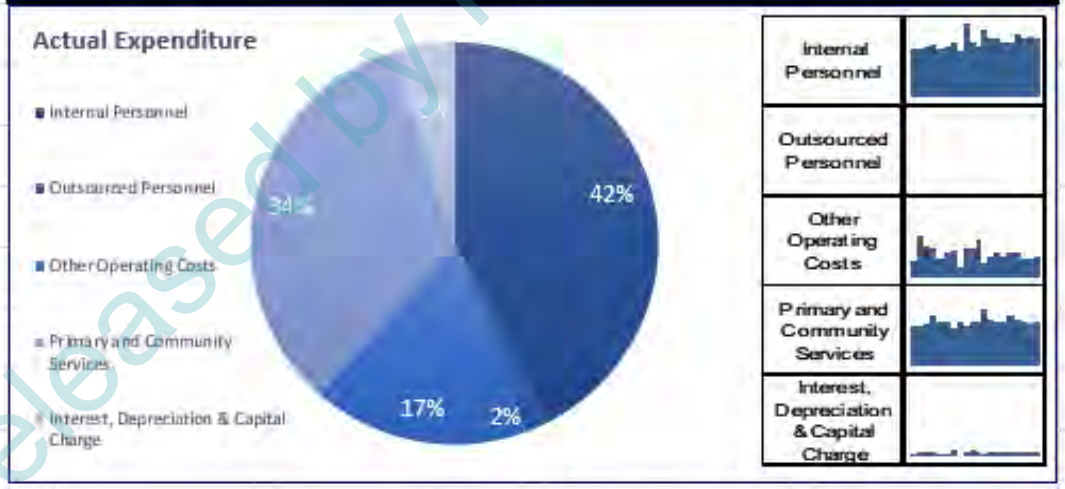
Finance Dashboard: February 2024

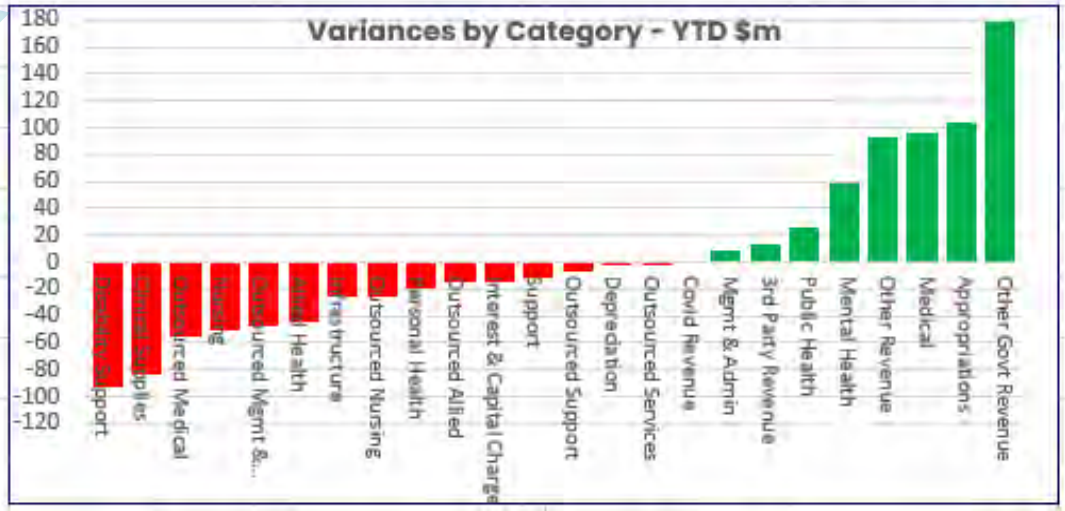
Result	Actual $m	Budget $m	Variance $m	Staffing	Actual	Budget	Variance
Month	78	53	25	FTE Month	84,846	82,915	(1,932)
YTD	104	24	79	$m Month	960	902	(58)

Month



YTD





Statement of Financial Performance Feb-24

Health New Zealand Te Whatu Ora Group $Millions	Month Total Actual	Total Budget	Variance	Year to Date Total Actual	Total Budget	Variance	YTD Last Year Actuals
Revenue							
Appropriations	1,914	1,935	(21)	15,603	15,498	104	14,921
Other Government Revenue	283	214	70	1,888	1,709	179	1,616
Third Party Revenue	9	6	3	61	48	13	48
Other Revenue	99	35	64	382	288	94	282
Total Revenue	**2,306**	**2,190**	**115**	**17,934**	**17,543**	**390**	**16,866**
Expenditure							
Internal Personnel							
Medical Personnel	252	245	(7)	1,968	2,064	96	1,848
Nursing Personnel	401	386	(15)	3,268	3,217	(51)	2,570
Allied Health Personnel	135	114	(21)	1,007	963	(44)	863
Support Personnel	33	28	(5)	247	236	(11)	220
Management & Admin Personnel	138	128	(10)	1,084	1,092	8	1,099
Subtotal	**960**	**902**	**(58)**	**7,574**	**7,571**	**(3)**	**6,600**
Outsourced Personnel							
Medical Personnel	18	9	(8)	134	78	(56)	108
Nursing Personnel	5	1	(4)	33	7	(26)	23
Allied Health Personnel	3	1	(2)	22	7	(15)	13
Support Personnel	1	1	(1)	12	5	(7)	11
Management & Admin Personnel	20	12	(8)	144	97	(47)	148
Subtotal	**47**	**23**	**(24)**	**345**	**194**	**(152)**	**303**
Other Operating Costs							
Outsourced Services	63	62	(1)	524	522	(1)	839
Clinical Supplies	183	169	(14)	1,503	1,419	(84)	1,627
Infrastructure & Non-Clinical Supplies	118	127	9	1,024	998	(26)	1,021
Subtotal	**365**	**358**	**(7)**	**3,051**	**2,939**	**(112)**	**3,487**

Commentary

The year-to-date net operating result is $79m favourable to budget.

Key upsides for the year-to-date are in:

Revenue - favourable mainly due to pay equity funding and Pharmac funding with offsetting expenditure.

Adverse variances are in:

Underlying staffing costs are unfavourable as the favourable variance in medical costs offsets unfavourable expenditure for pay equity costs in community services (due to a budgeting issue). A key concern emerging is for nursing FTE and cost variances.

Outsourced personnel costs, due to cover for staff gaps and initiatives

Clinical supplies, mainly inflationary cost pressures.

Community services, bottom-line neutral pay disparity expenditure and pharmacy drug cost variances as offset by budget in other areas or additional funding.

Statement of Financial Performance (cont'd)

Health New Zealand Te Whatu Ora Group $Millions	Month Total Actual	Total Budget	Variance	Year to Date Total Actual	Total Budget	Variance	YTD Last Year Actuals
Primary and Community Services							
Personal Health	453	461	8	3,691	3,672	(19)	3,393
Mental Health	57	68	12	488	546	59	406
Disability Support Services	216	196	(20)	1,658	1,565	(93)	1,404
Public Health	22	23	1	157	183	26	424
Subtotal	**747**	**748**	**1**	**5,993**	**5,966**	**(28)**	**5,627**
Interest, Depreciation & Capital Charge							
Depreciation	71	70	(0)	558	556	(2)	488
Interest & Capital Charge	38	37	(2)	308	293	(15)	261
Subtotal	**109**	**107**	**(2)**	**866**	**849**	**(18)**	**749**
Total Expenditure	**2,228**	**2,138**	**(90)**	**17,830**	**17,519**	**(311)**	**16,765**
Net Surplus/(Deficit) from Operations	**78**	**53**	**25**	**104**	**24**	**79**	**101**

Full Year Forecast 2023/24

	Year to Date			YTD	Full Year	Full Year	Full Year
	Total Actual	Total Budget	Variance	Last Year Actuals	Forecast	Budget	Forecast Variance
Revenue							
Appropriations	15,603	15,498	104	14,921	23,612	23,239	373
Other Government Revenue	1,888	1,709	179	1,616	2,813	2,564	249
Third Party Revenue	61	48	13	48	92	72	20
Other Revenue	382	288	94	282	542	432	110
Total Revenue	**17,934**	**17,543**	**390**	**16,866**	**27,059**	**26,308**	**750**
Expenditure							
Internal Personnel							
Medical Personnel	1,968	2,064	96	1,848	2,955	3,096	141
Nursing Personnel	3,268	3,217	(51)	2,570	4,823	4,825	2
Allied Health Personnel	1,007	963	(44)	863	1,394	1,444	50
Support Personnel	247	236	(11)	220	369	354	(15)
Management & Admin Personnel	1,084	1,092	8	1,099	1,622	1,622	0
Subtotal	**7,574**	**7,571**	**(3)**	**6,600**	**11,162**	**11,340**	**178**
Outsourced Personnel							
Medical Personnel	134	78	(56)	108	177	117	(60)
Nursing Personnel	33	7	(26)	23	42	11	(31)
Allied Health Personnel	22	7	(15)	13	30	11	(19)
Support Personnel	12	5	(7)	11	15	7	(8)
Management & Admin Personnel	144	97	(47)	148	197	146	(51)
Subtotal	**345**	**194**	**(152)**	**303**	**461**	**291**	**(170)**
Other Operating Costs							
Outsourced Services	524	522	(1)	839	781	781	0
Clinical Supplies	1,503	1,419	(84)	1,627	2,380	2,135	(245)
Infrastructure & Non-Clinical Supplies	1,024	998	(26)	1,021	1,555	1,505	(50)
Subtotal	**3,051**	**2,939**	**(112)**	**3,487**	**4,716**	**4,422**	**(295)**
Primary and Community Services							
Personal Health	3,691	3,672	(19)	3,393	5,526	5,526	0
Mental Health	488	546	59	406	766	819	53
Disability Support Services	1,658	1,565	(93)	1,404	2,363	2,348	(15)
Public Health	157	183	26	424	249	277	28
Subtotal	**5,993**	**5,966**	**(28)**	**5,627**	**8,904**	**8,970**	**66**
Interest, Depreciation & Capital Charge							
Depreciation	558	556	(2)	488	850	846	(4)
Interest & Capital Charge	308	293	(15)	261	463	440	(23)
Subtotal	**866**	**849**	**(18)**	**749**	**1,313**	**1,286**	**(27)**
Total Expenditure	**17,830**	**17,519**	**(311)**	**16,765**	**26,557**	**26,308**	**(249)**
Net Surplus/(Deficit) from Operations	**104**	**24**	**79**	**101**	**502**	**0**	**502**

Commentary

A separate paper discussing the forecast range, options and actions is on the agenda for this meeting.

Following review of the February result, there are a number of pressures on the year-end forecast. These include:

- Internal personnel over-recruiting, specifically nursing;
- Clinical supplies savings not realised;
- Maintenance costs over budget; and
- Leave revaluation movements significantly above budget.

The forecast surplus has been revised to a best-case scenario of $502m (shown in the table), provided corrective action is fully implemented for the balance of the year for the first 3 items above.

If the first three items above are partially mitigated, the worst-case scenario would be a surplus of $264m.

Capital Expenditure (Capex) YTD January 2024

Capex performance is summarised in the table below. Adjustments to the approved Capex budget reflect new Capex items approved, substitutions/use of contingency and anomalies resolved. Detailed reviews of Capex forecasts will be completed during March and April as part of the Capex Budgeting process, having considered status of business case development, approval and procurement processes.

Table 1: Consolidated Capex Performance (by asset class) for the seven months ended 31 January 2024:

(-ve) - spend below Capex budget / (+ve) spend above Capex budget

Amounts in $ Millions	2023/24 YTD January 2024 Capex Perfomance				2023/24 Full Year Capex Budget, Budget Changes and Forecasts					
Asset Category	**Actual**	**Budget**	**Variance (YTD Actual to Budget)**	**Commit-ments**	**2023/24 Budget**	**Budget Changes**	**Revised Budget**	**Forecast ***	**Variance (Forecast to Revised Budget)**	**Total Amount Phased to Outyears**
Clinical Equipment	130.47	226.41	(95.94)	75.53	385.65	9.64	395.29	375.79	(19.49)	19.49
Facilities	609.88	1,029.42	(419.55)	1,109.25	2,003.50	353.24	2,356.73	1,659.10	(697.63)	697.63
ICT (incl. Software)	79.60	220.79	(141.18)	49.47	548.49	5.79	554.28	352.93	(201.35)	201.35
Motor Vehicles	4.53	10.10	(5.57)	3.88	20.32	0.33	20.66	19.81	(0.84)	0.84
Other Equipment	5.36	10.35	(5.00)	2.99	22.86	1.98	24.84	17.89	(6.95)	6.95
Contingency / Pooled Funds	4.68	22.33	(17.65)	2.98	52.28	(3.07)	49.20	30.28	(18.92)	18.92
Total	**834.51**	**1,519.40**	**(684.88)**	**1,244.10**	**3,033.10**	**367.90**	**3,401.00**	**2,455.81**	**(945.19)**	**945.19**
National Capex Pool			0.00	0.00	129.50	0.00	129.50	60.00	(69.50)	69.50
National Contingency budget			0.00	0.00	50.00	0.00	50.00	50.00	0.00	0.00
Total	**834.51**	**1,519.40**	**(684.88)**	**1,244.10**	**3,212.60**	**367.90**	**3,580.50**	**2,565.81**	**(1,014.69)**	**1,014.69**

2023/24 Capex Report YTD Jan-24 (cont'd)

Table 2: Capex Report (by region / district) for the six months ended 31 December 2023:

Amounts in $ Millions

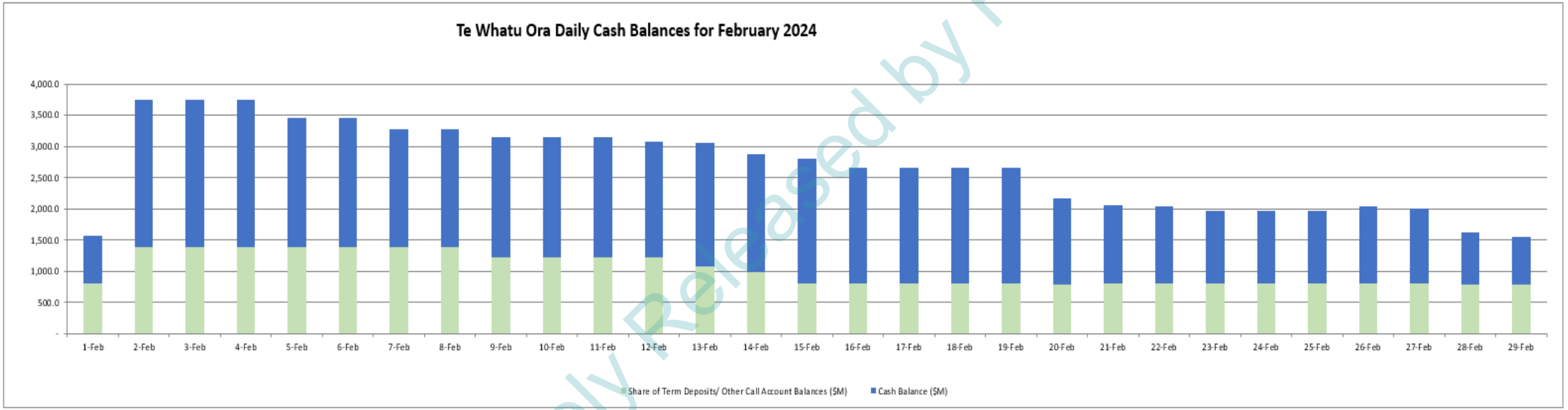
Region	District	YTD Actual	YTD Budget	Variance (YTD Actual to Budget)	Purchase Order Commitments	Full Year Forecast 2023/24
Northern	Te Tai Tokerau	27.10	30.48	(3.38)	21.54	55.07
	Waitematā	122.47	169.96	(47.50)	177.30	277.50
	Te Toka Tumai Auckland	116.70	213.31	(96.60)	190.06	323.50
	Counties Manukau	70.62	118.59	(47.97)	194.63	195.18
Sub-Total		**336.89**	**532.34**	**(195.46)**	**583.53**	**851.24**
Te Manawa Taki	Waikato	33.74	114.52	(80.78)	146.94	191.42
	Hauora a Toi Bay of Plenty	15.12	35.87	(20.75)	9.74	55.50
	Lakes	9.12	33.71	(24.60)	5.36	64.71
	Tairawhiti	3.34	13.21	(9.87)	0.00	3.34
	Taranaki	80.81	112.88	(32.08)	163.44	177.21
Sub-Total		**142.13**	**310.21**	**(168.08)**	**325.47**	**492.19**
Central	Te Matau a Maui Hawkes bay	11.86	24.63	(12.76)	12.00	42.72
	Whanganui	6.00	12.23	(6.23)	1.95	13.98
	Te Pae Hauora o Ruahine o Tararua Midcentral	31.83	103.69	(71.86)	25.72	108.01
	Wairarapa	0.41	4.45	(4.04)	0.00	8.69
	Hutt Valley	13.09	23.59	(10.50)	4.36	44.97
	Capital & Coast	43.70	50.23	(6.53)	2.06	109.08
	Central Region TAS	0.00	0.00	0.00	0.00	0.00
Sub-Total		**106.90**	**218.82**	**(111.92)**	**46.09**	**327.45**
Te Waipounamu	Nelson Marlborough	11.29	30.41	(19.12)	18.63	63.12
	Te Tai o Poutini West Coast	3.33	6.60	(3.27)	1.80	8.40
	Waitaha Canterbury	43.18	58.80	(15.61)	27.14	85.19
	South Canterbury	2.59	5.96	(3.37)	1.08	15.79
	Southern	14.21	32.75	(18.54)	12.79	35.93
	Brackenridge Estate Ltd	0.00	0.47	(0.47)	0.00	0.00
	Canterbury Linen Services	0.00	0.12	(0.12)	0.00	0.00
Sub-Total		**74.60**	**135.11**	**(60.51)**	**61.44**	**208.43**
National	National Data & Digital	75.96	133.96	(58.00)	48.12	344.53
	IIG	98.04	188.96	(90.93)	179.46	228.97
Sub-Total		**174.00**	**322.92**	**(148.92)**	**227.58**	**573.50**
Total		**834.51**	**1,519.40**	**(684.88)**	**1,244.10**	**2,452.81**
National Capex Pool		0.00	0.00	0.00	0.00	60.00
National Contingency budget		0.00	0.00	0.00	0.00	50.00
Total		**834.51**	**1,519.40**	**(684.88)**	**1,244.10**	**2,562.81**

Cash Balances February 2024

Te Whatu Ora Daily Cash Balances for February 2024

Balance at 29/02/2024 $1543.9m

Date	1-Feb	2-Feb	3-Feb	4-Feb	5-Feb	6-Feb	7-Feb	8-Feb	9-Feb	10-Feb	11-Feb	12-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb	20-Feb	21-Feb	22-Feb	23-Feb	24-Feb	25-Feb	26-Feb	27-Feb	28-Feb	29-Feb
Cash Balance ($M)	767.3	2,359.0	2,359.1	2,359.1	2,066.6	2,066.3	1,897.6	1,895.6	1,914.3	1,914.4	1,914.5	1,848.3	1,971.8	1,884.6	1,991.6	1,856.5	1,856.6	1,856.6	1,860.6	1,366.0	1,263.4	1,245.0	1,156.3	1,156.4	1,156.4	1,233.7	1,196.3	826.3	749.0
Share of Term Deposits/ Other Call Account Balances ($M)	800.7	1,389.5	1,389.5	1,389.5	1,386.3	1,386.3	1,383.8	1,384.2	1,227.8	1,227.8	1,227.8	1,226.9	1,084.3	986.7	805.7	804.2	804.2	804.2	804.6	795.1	803.3	804.2	803.5	803.5	803.5	805.7	805.0	796.6	794.9
Te Whatu Ora Total Treasury Balance ($M)	1,568.0	3,748.5	3,748.5	3,748.6	3,452.9	3,452.6	3,281.5	3,279.8	3,142.1	3,142.1	3,142.3	3,075.2	3,056.1	2,871.3	2,797.3	2,660.7	2,660.7	2,660.8	2,665.2	2,161.1	2,066.6	2,049.1	1,959.8	1,959.9	1,959.9	2,039.3	2,001.3	1,622.9	1,543.9



Comments:

Te Whatu Ora treasury balance at 28 February is $1.544 billion, which iis slightly more than $1.518 billion balance at 31 January 2024, reflecting HCE funding reimbursement recieved in January.
Short term deposits amounting to $850 million maturing within three months are included in the above cash balance.

Paid Full Time Equivalents - February 2024

Nb For the purposes of financial reporting, this table represents FTEs that are paid. In other reports for the purposes of workforce development, data may be used from Health Workforce Information Programme (HWIP).

	Month			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
FTE								
Medical Personnel	11,001	11,034	33	10,733	10,856	123	10,365	10,958
Nursing Personnel	38,915	36,483	(2,432)	37,257	36,529	(728)	34,417	36,503
Allied Health Personnel	14,432	14,702	270	13,985	14,522	537	13,825	14,625
Support Personnel	4,591	4,462	(129)	4,529	4,494	(35)	4,356	4,476
Management & Admin Personnel	15,907	16,234	326	15,719	16,260	541	16,102	16,245
	84,846	**82,915**	**(1,932)**	**82,224**	**82,661**	**437**	**79,065**	**82,806**

Commentary:

Medical and Allied Health FTEs are below budget for the month and YTD reflecting vacancies.

Nursing FTE are significantly over budget for the month and YTD reflecting vacancies filled, new graduate nurses, leave cover, safe staffing levels and overtime.

Management and Admin personnel are below budget for the month and YTD due to reform savings initiatives and holding vacancies.

Note that all clinical staffing categories have higher actual paid FTEs than for the same period 12 months ago and management and admin FTEs are lower.

Note: Internal Personnel are staff employed directly by Te Whatu Ora, outsourced personnel are people not directly employed who are paid via agencies and individual contracts.

Hon Dr Shane Reti

Minister of Health
Minister for Pacific Peoples

30 APR 2024

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

Tēnā koe Dame Karen

Letter of Expectations for Infrastructure 2024/25

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

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

Delivery of existing portfolio

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

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

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

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Long-term infrastructure investment plan

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

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

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

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

National Asset Management Strategy

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

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

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

Health NZ operating model and project reporting

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

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

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

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

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

Capital settings

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

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

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

Nāku noa, nā

Hon Dr Shane Reti
Minister of Health

May 2024 Documents

Date	Title	Decision on release
1 May 2024	Document – *Roadmap to 23/24 year-end*	Released in full.
14 May 2024	Letter, MoF	Released in full.
17 May 2024	HNZ00048471-Aide Mémoire – *Update – April Financial Result*	Some information withheld under the following sections of the Act: • Section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. • Section 9(2)(b)(ii) as, if released, it would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. **Appendices 1 and 2** – Released in full **Appendix 3**– Withheld in full as out of scope. Document does not contain any financial information
22 May 2024	Letter, HNZ, *Health New Zealand: Payroll and rostering systems*	Released in full.
31 May 2024	HNZ00049329-Aide Mémoire – *April Monthly Performance Report*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – Excerpt provided under section 16(1)(e) of the Act • Page 4, Financial outlook **Appendix 2** – Released in full **Appendices 3, 4 and 5** – Withheld in full as out of scope. Document does not contain any financial information.

1 May 2024

Roadmap to 23/24 year-end

Period Ended 31 March 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Contents

1a. March month end – Statement of Financial Performance

Health New Zealand Te Whatu Ora Group $Millions	Month Total Actual	Total Budget	Variance	Year to Date Total Actual	Total Budget	Variance	YTD Last Year Actuals
Revenue							
Appropriations	1,955	1,935	20	17,558	17,433	124	17,110
Other Government Revenue	315	214	101	2,203	1,923	280	1,794
Third Party Revenue	16	6	10	78	54	23	60
Other Revenue	44	36	8	426	324	101	325
Total Revenue	**2,330**	**2,191**	**138**	**20,263**	**19,735**	**529**	**19,288**
Expenditure							
Internal Personnel							
Medical Personnel	274	262	(12)	2,242	2,326	84	2,105
Nursing Personnel	371	407	36	3,640	3,624	(15)	3,127
Allied Health Personnel	143	122	(21)	1,150	1,085	(65)	984
Support Personnel	21	30	9	268	266	(2)	249
Management & Admin Personnel	138	135	(4)	1,222	1,227	4	1,307
Subtotal	**948**	**956**	**9**	**8,522**	**8,528**	**6**	**7,772**
Outsourced Personnel							
Medical Personnel	19	10	(9)	153	88	(65)	123
Nursing Personnel	4	1	(3)	37	8	(29)	27
Allied Health Personnel	3	1	(2)	26	8	(18)	15
Support Personnel	2	1	(2)	14	5	(9)	12
Management & Admin Personnel	20	12	(8)	165	109	(55)	171
Subtotal	**48**	**25**	**(24)**	**394**	**219**	**(175)**	**348**
Other Operating Costs							
Outsourced Services	73	66	(8)	597	588	(9)	1,012
Clinical Supplies	195	182	(13)	1,698	1,601	(97)	1,794
Infrastructure & Non-Clinical Supplies	141	127	(14)	1,165	1,125	(41)	1,151
Subtotal	**410**	**375**	**(35)**	**3,461**	**3,314**	**(147)**	**3,957**

Commentary

The year-to-date net operating result is $300m favourable to budget.

Key drivers for the favourable variance year-to-date and some improvements in the month include:

- Increased Revenue above budget levels for pay equity, ACC and non-residents.
- Increased COVID and Pharmac revenue with offsetting costs.
- Balance sheet releases of income in advance and expenditure accruals.

Internal and outsourced personnel when combined are overspent, due to leave revaluation and hours worked both being above budget levels.

1a March month end - Statement of Financial Performance (cont'd)

Primary and Community Services							
Personal Health	381	464	82	4,072	4,135	63	3,777
Mental Health	29	68	39	517	614	97	459
Disability Support Services	197	196	(1)	1,854	1,761	(94)	1,583
Public Health	16	24	7	173	207	33	449
Subtotal	**623**	**751**	**128**	**6,617**	**6,717**	**100**	**6,267**
Interest, Depreciation & Capital Charge							
Depreciation	66	73	7	623	628	5	558
Interest & Capital Charge	39	37	(3)	348	330	(18)	290
Subtotal	**105**	**109**	**4**	**971**	**958**	**(13)**	**848**
Total Expenditure	**2,134**	**2,216**	**82**	**19,964**	**19,735**	**(229)**	**19,193**
Net Surplus/(Deficit) from Operations	**196**	**(25)**	**220**	**299**	**(0)**	**300**	**96**

1b Full Year Forecast 2023/24 as at end March 24

Group $Millions	Year to Date Total Actual	Total Budget	Variance	YTD Last Year Actuals	Full Year Forecast	Full Year Budget	Full Year Forecast Variance
Revenue							
Appropriations	17,558	17,433	124	17,110	23,612	23,239	373
Other Government Revenue	2,203	1,923	280	1,794	2,878	2,564	314
Third Party Revenue	78	54	23	60	146	72	74
Other Revenue	426	324	101	325	556	432	124
Total Revenue	**20,263**	**19,735**	**529**	**19,288**	**27,192**	**26,308**	**884**
Expenditure							
Internal Personnel							
Medical Personnel	2,242	2,326	84	2,105	3,056	3,096	40
Nursing Personnel	3,640	3,624	(15)	3,127	4,750	4,825	75
Allied Health Personnel	1,150	1,085	(65)	984	1,469	1,444	(25)
Support Personnel	268	266	(2)	249	361	354	(7)
Management & Admin Personnel	1,222	1,227	4	1,307	1,622	1,622	0
Subtotal	**8,522**	**8,528**	**6**	**7,772**	**11,258**	**11,340**	**178**
Outsourced Personnel							
Medical Personnel	153	88	(65)	123	187	117	(70)
Nursing Personnel	37	8	(29)	27	42	11	(31)
Allied Health Personnel	26	8	(18)	15	30	11	(19)
Support Personnel	14	5	(9)	12	19	7	(12)
Management & Admin Personnel	165	109	(55)	171	197	146	(51)
Subtotal	**394**	**219**	**(175)**	**348**	**475**	**291**	**(184)**
Other Operating Costs							
Outsourced Services	597	588	(9)	1,012	781	781	0
Clinical Supplies	1,698	1,601	(97)	1,794	2,380	2,135	(245)
Infrastructure & Non-Clinical Supplies	1,165	1,125	(41)	1,151	1,555	1,505	(50)
Subtotal	**3,461**	**3,314**	**(147)**	**3,957**	**4,716**	**4,422**	**(295)**
Primary and Community Services							
Personal Health	4,072	4,135	63	3,777	5,484	5,526	42
Mental Health	517	614	97	459	766	819	53
Disability Support Services	1,854	1,761	(94)	1,583	2,409	2,348	(61)
Public Health	173	207	33	449	234	277	43
Subtotal	**6,617**	**6,717**	**100**	**6,267**	**8,893**	**8,970**	**77**
Interest, Depreciation & Capital Charge							
Depreciation	623	628	5	558	846	846	(0)
Interest & Capital Charge	348	330	(18)	290	463	440	(23)
Subtotal	**971**	**958**	**(13)**	**848**	**1,309**	**1,286**	**(23)**
Total Expenditure	**19,964**	**19,735**	**(229)**	**19,193**	**26,651**	**26,308**	**(343)**
Net Surplus/(Deficit) from Operations	**299**	**(0)**	**300**	**96**	**541**	**0**	**541**

Overview

Budget surplus target $583m vs $541 current forecast (gap $42m)

Restatement of the year to date budget expenditure to meet the $583m target would adjust the year to date budget by $326m. The year to date actual of $299m surplus is $27m unfavourable to the $583m revised target.

Forecast of $541m includes assumptions below:

- $168m of funding for Allied Health Pay equity is received in June
- Pharmac revenue covers drug costs
- Improvements in the March underlying operating run rate continue. Actions to mitigate costs pressures are underway including controls relating to recruitment and resourcing models. Nursing FTEs are still higher than budget in the month and YTD and this is forecast to come closer to budget.
- Savings of $525m are achieved against the $540m target. Note this is on track.
- Release of around $100m of in year accruals currently in March result

1c. H&SS March results by region/district

H&SS Financial Summary $000s	Mar (Headline)	Underlying Feb YTD	Mar Budget	Underlying Variance	Variance as a % of Budget	Mar YTD (Headline)	Underlying Mar YTD	Mar YTD Budget	Underlying Variance	Variance as a % of Budget	Full Year Forecast (Headline)	Target Full Year Forecast	Full Year Budget	Target Variance to Budget	Variance as a % of Budget
	Mar Month Actuals					Mar YTD Actuals					Full Year Forecast based on Mar YTD Actuals				
Northern Region															
Northland	48,852	46,440	40,320	(6,120)	-15%	440,726	390,715	357,955	(32,760)	-9%	589,153	527,212	476,452	(50,760)	-11%
Waitemata	106,349	101,293	93,115	(8,178)	-9%	971,786	862,343	826,088	(36,256)	-4%	1,302,422	1,166,102	1,100,072	(66,030)	-6%
Auckland	172,482	161,688	158,851	(2,837)	-2%	1,619,508	1,421,863	1,408,884	(12,979)	-1%	2,146,503	1,898,266	1,874,848	(23,418)	-1%
Counties Manukau	102,774	95,962	103,609	7,647	7%	1,048,237	928,102	919,864	(8,238)	-1%	1,373,667	1,225,700	1,210,073	(15,628)	-1%
Total Northern Region	**430,457**	**405,382**	**395,894**	**(9,488)**	**-2%**	**4,080,256**	**3,603,023**	**3,512,790**	**(90,233)**	**-3%**	**5,411,745**	**4,817,281**	**4,661,445**	**(155,836)**	**-3%**
Te Manawa Taki															
Waikato	117,850	110,246	94,499	(15,746)	-17%	1,031,212	886,270	838,550	(47,719)	-6%	1,377,937	1,196,065	1,116,076	(79,988)	-7%
Bay of Plenty	53,104	48,135	47,546	(589)	-1%	513,428	432,246	421,938	(10,308)	-2%	687,436	583,995	561,587	(22,408)	-4%
Lakes	21,295	19,523	19,836	312	2%	206,951	179,133	175,962	(3,171)	-2%	282,846	246,463	234,189	(12,275)	-5%
Tairawhiti	14,126	13,939	12,454	(1,485)	-12%	121,754	108,877	110,564	1,687	2%	166,130	150,379	147,165	(3,214)	-2%
Taranaki	28,777	27,222	23,153	(4,069)	-18%	256,520	221,232	205,398	(15,834)	-8%	343,664	299,837	273,368	(26,468)	-10%
Total Te Manawa Taki	**235,152**	**219,064**	**197,488**	**(21,576)**	**-11%**	**2,129,866**	**1,827,757**	**1,752,412**	**(75,345)**	**-4%**	**2,858,014**	**2,476,738**	**2,332,386**	**(144,353)**	**-6%**
Central Region															
MidCentral	42,580	40,140	37,185	(2,954)	-8%	371,279	322,591	330,067	7,476	2%	492,559	432,248	439,322	7,075	2%
Whanganui	15,242	14,573	13,572	(1,001)	-7%	144,569	126,804	120,493	(6,311)	-5%	193,731	171,239	160,381	(10,857)	-7%
Hawkes Bay	39,893	37,604	33,401	(4,203)	-13%	375,846	318,702	296,362	(22,340)	-8%	498,486	429,968	390,061	(39,906)	-10%
Wairarapa	7,579	7,132	6,333	(799)	-13%	71,351	58,703	56,166	(2,536)	-5%	94,190	79,311	74,750	(4,561)	-6%
Hutt Valley	30,052	29,135	19,337	(9,798)	-51%	219,950	198,341	171,555	(26,786)	-16%	290,533	264,280	228,328	(35,952)	-16%
Capital and Coast	98,921	93,558	77,634	(15,924)	-21%	898,075	772,574	688,510	(84,064)	-12%	1,198,451	1,046,946	916,300	(130,646)	-14%
Enable NZ	0	0	0	0		0	0	0	0		0	0	0	0	
Total Central region	**234,268**	**222,142**	**187,462**	**(34,681)**	**-19%**	**2,081,068**	**1,797,714**	**1,663,154**	**(134,560)**	**-8%**	**2,767,950**	**2,423,991**	**2,209,143**	**(214,848)**	**-10%**
Te Waiponamu															
Nelson Marlborough	27,420	27,074	28,421	1,347	5%	261,832	241,812	251,864	10,052	4%	346,292	321,654	335,165	13,512	4%
West Coast	10,866	10,225	8,731	(1,495)	-17%	93,567	78,994	77,407	(1,588)	-2%	125,463	108,142	103,014	(5,128)	-5%
Canterbury	135,434	128,410	115,587	(12,823)	-11%	1,243,385	1,039,606	1,025,523	(14,082)	-1%	1,646,356	1,393,717	1,364,905	(28,812)	-2%
South Canterbury	10,283	9,422	10,166	744	7%	105,597	91,221	90,234	(987)	-1%	138,368	120,107	120,102	(5)	0%
Southern	73,282	68,245	62,938	(5,308)	-8%	704,494	613,261	558,524	(54,737)	-10%	935,767	820,832	744,829	(76,003)	-10%
Brackenridge Services	(127)	(127)	32	159	495%	(256)	(256)	(44)	212	-487%	(1,096)	(1,096)	(114)	983	-865%
Canterbury Linen	(213)	(213)	(53)	160	-299%	(1,737)	(1,737)	(583)	1,155	-198%	(2,157)	(2,157)	(794)	1,363	-172%
Canterbury Eliminations *	(30)	(30)	0	30		(305)	(305)	0	305		(415)	(415)	0	415	
Total Te Waiponamu	**256,915**	**243,007**	**225,821**	**(17,186)**	**-8%**	**2,406,576**	**2,062,595**	**2,002,925**	**(59,670)**	**-3%**	**3,188,578**	**2,760,782**	**2,667,107**	**(93,675)**	**-4%**
SSAs and Corporate															
Health NZ	9,803	100,619	112,752	12,132	11%	(339,148)	976,266	1,012,281	36,016	4%	(239,637)	1,375,060	1,350,736	(24,324)	-2%
Central Region's TAS Ltd	196	196	204	8	4%	1,876	1,876	1,817	(59)	-3%	2,512	2,512	2,419	(93)	-4%
HealthShare	0	0	299	299	100%	1,491	1,491	2,656	1,165	44%	1,840	1,840	3,535	1,695	48%
HealthSource	1,705	1,705	2,208	503	23%	17,889	17,889	19,604	1,715	9%	24,069	24,069	26,093	2,024	8%
Northern Regional Alliance	(4,492)	(5,138)	502	5,639	1124%	6,326	514	4,418	3,904	88%	6,569	(1,180)	5,875	7,055	120%
NZ Health Partnerships	148	148	385	237	61%	2,400	2,400	3,420	1,020	30%	3,017	3,017	4,552	1,536	34%
Total SSAs and Corproate	**7,361**	**97,532**	**116,350**	**18,818**	**16%**	**(309,166)**	**1,000,437**	**1,044,196**	**43,760**	**4%**	**(201,630)**	**1,405,318**	**1,393,212**	**(12,107)**	**-1%**
Total H&SS	**1,164,153**	**1,187,127**	**1,123,015**	**(64,112)**	**-6%**	**10,388,601**	**10,291,527**	**9,975,478**	**(316,048)**	**-3%**	**14,024,657**	**13,884,111**	**13,263,292**	**(620,819)**	**-5%**

To try and recognise the impact of Pay Equity, Pharmaceuticals and Planned care we have compiled the attached 'underlying' position by district.

This is based on:

- 'Headline' result
- Remove all Allied Health Pay Equity
- Adjust for Nursing and Midwifery Pay Equity to align costs against budget/provision releases
- Recognise expected additional Pharmac funding
- Recognise Planned care allocations of cost (NB: allocated to regions based on total reported activity * national price, allocated to districts based on a % share of reported regional activity)
- Further recognise budgets held elsewhere (eg PCTs, Southern Labs)
- Enable (a wholly owned entity of HNZ) is completely excluded, both cost and revenue, as is the MidCentral Enable budget

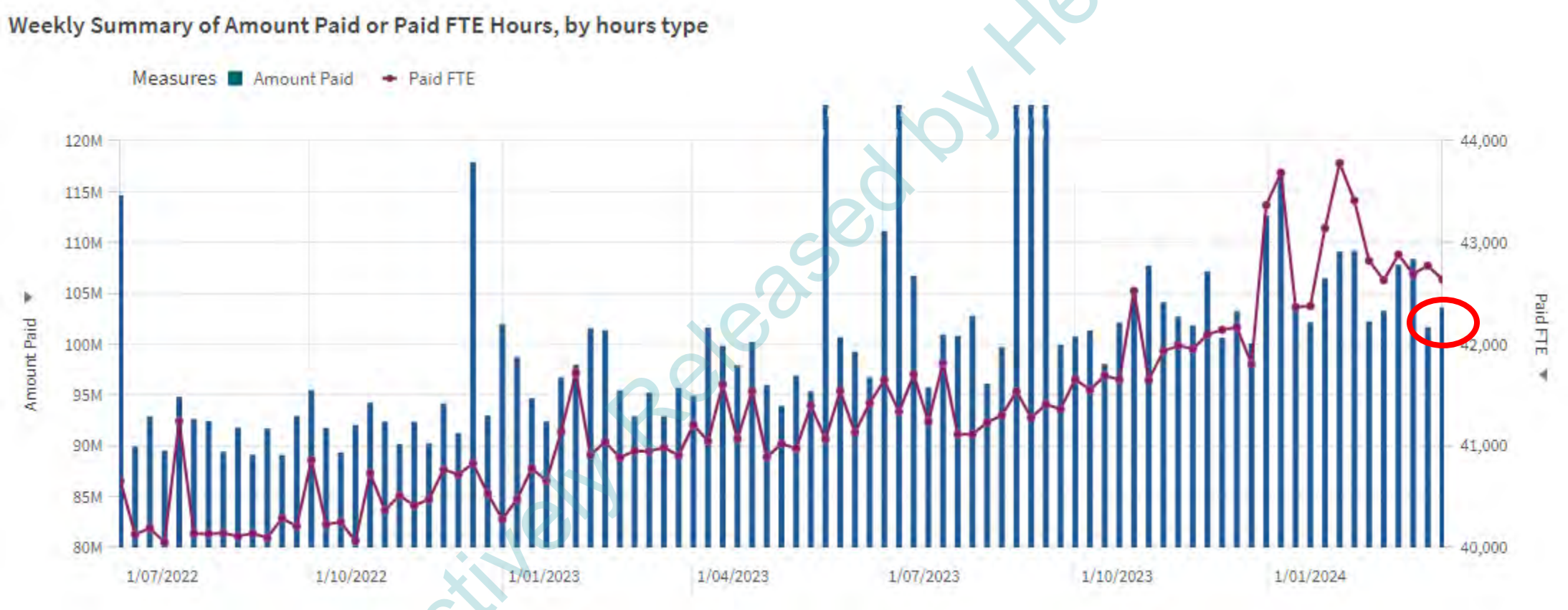
2. Progress against areas of over expenditure

a. H&SS – Workforce

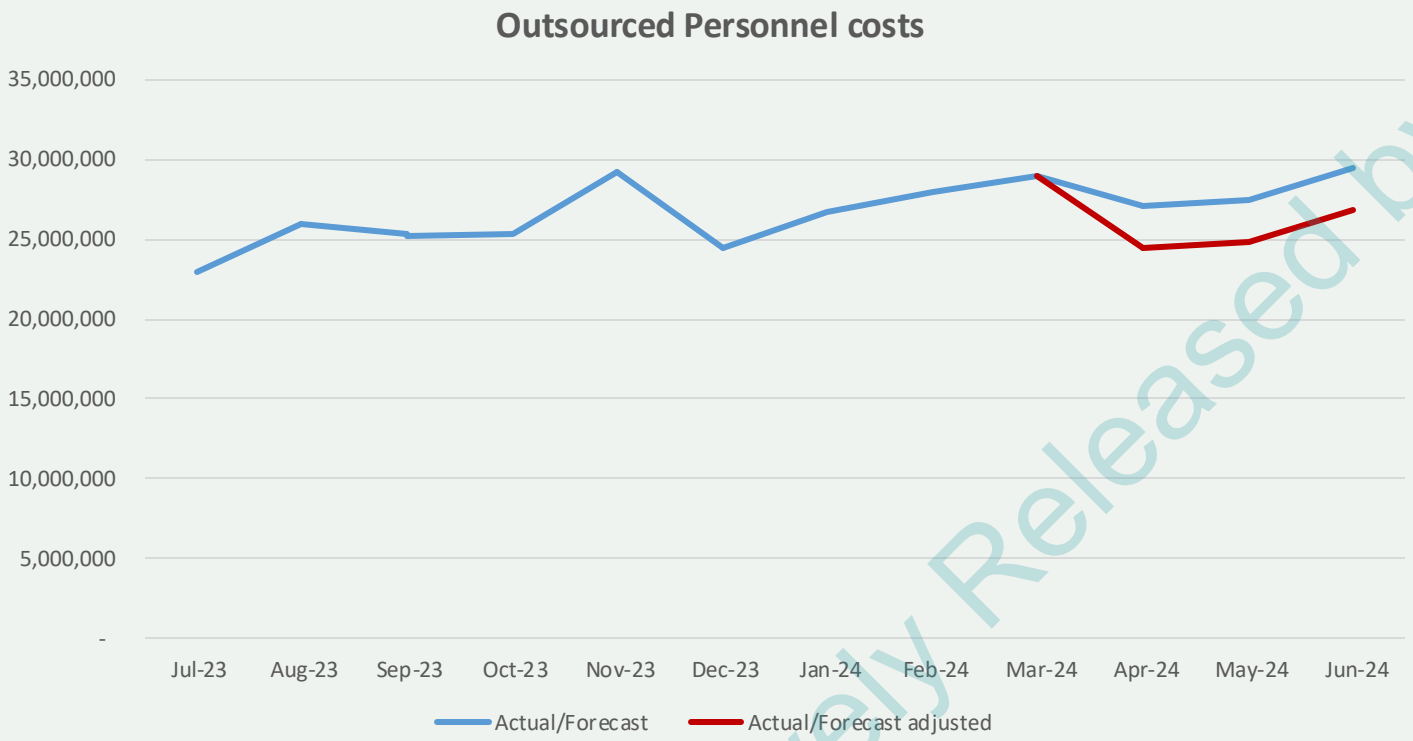
- H&SS has set a target of **$105m of operational savings** for Q4.
- Each district has been allocated a district savings target to contribute to this overall goal.
- Each district has developed a **cost savings plan** and has been taking actions in line with their plan.
- Many of the district savings initiatives relate to **workforce**; including rostering, staffing hours, overtime, leave management, use of outsourced personnel.
- Districts are receiving weekly payroll reports to **track and manage** (for nursing, medical and allied health personnel):
  - Ordinary hours worked
  - Annual leave, sick leave, other leave
  - Overtime
- Districts are also **managing workforce risks**, ensuring that cost saving initiatives do not impact service delivery.

2a. All Staff – Weekly Hours and FTE

The graph below shows all staff paid via AMS systems, just over 50% of Health NZ.



2a. District savings – Estimated impact on Outsourced Personnel cost



This graph shows the estimated impact of district cost savings actions on outsourced personnel costs.

Examples of actions being taken by districts include:

- Reduce overall use of outsourced personnel
- RD / GDO sign-off of all agency use
- Ensure close adherence to locum rate cards

2. Progress against areas of over expenditure

b. Procurement and Supply Chain

Short term activity is focusing on 2 key areas:

Locum Review

- Aim: Provide Regional Directors and GDOs with improved information to enable better decisions regarding contracting for locums.
- Particular focus on reducing payment above rate cards and payment of extra costs, which will deliver cost savings and improve consistency across districts.
- Estimated savings 23/24: $1.8m
- Risks: Requires consistent district engagement and implementation, may impact willingness of some locums to work.

Clinical Supplies Use Management

- Limited options to impact price in short-term, however analysis of historic variance indicates that more than 60% is driven by increased volume.
- Aim: Provide GDOs with information that highlights where the use of clinical supplies in their district is not in alignment with similar districts or with historical usage.
- Estimated savings 23/24: TBC
- Risks: Programme needs to be clinically led to ensure no impacts on patient safety.

2b. Procurement and Supply Chain

Operational Efficiencies	$m Target June 23	$m Target August 23 #
Cost Reduction		
Cost Reduction (YoY Savings)	**30**	**20**
Cost Avoidance		
Cost Avoidance*	**54**	**54**
	84	**74**

#Model was implemented by August 23

*Avoidance includes both opex and capex

	$m Actual to Mar 24	$m YTG	$m Full Year	Realised Benefit vs Target %
Cost Reduction				
HSS	*2*	*2*	*4*	
NPNS	*6*		*6*	
D&D	*2*		*2*	
Cost Reduction (TOTAL)	**10**	**2**	**12**	***40%***
Cost Avoidance				
Operational Cost Avoidance				
HSS	*2*	*1*	*3*	
Other	*2*	*1*	*3*	
Operational (TOTAL)	*4*	*2*	*6*	
Capital Cost Avoidance				
HSS	*10*	*2*	*12*	
Other	*1*	*2*	*3*	
Capital (TOTAL)	*11*	*4*	*15*	
Cost Avoidance (Operational + Capital TOTAL)	***15***	***6***	***21***	***39%***
Total	**25**	**8**	**33**	**39%**

2. Progress against areas of over expenditure

c. Infrastructure maintenance

- The YTD March 2024 spend on maintenance is $15 million over budget (Full year budget is $101m vs forecast $121m). Prior year budget was $98 million vs actual of $121 million.
- Spend trend in the last two months has slowed.

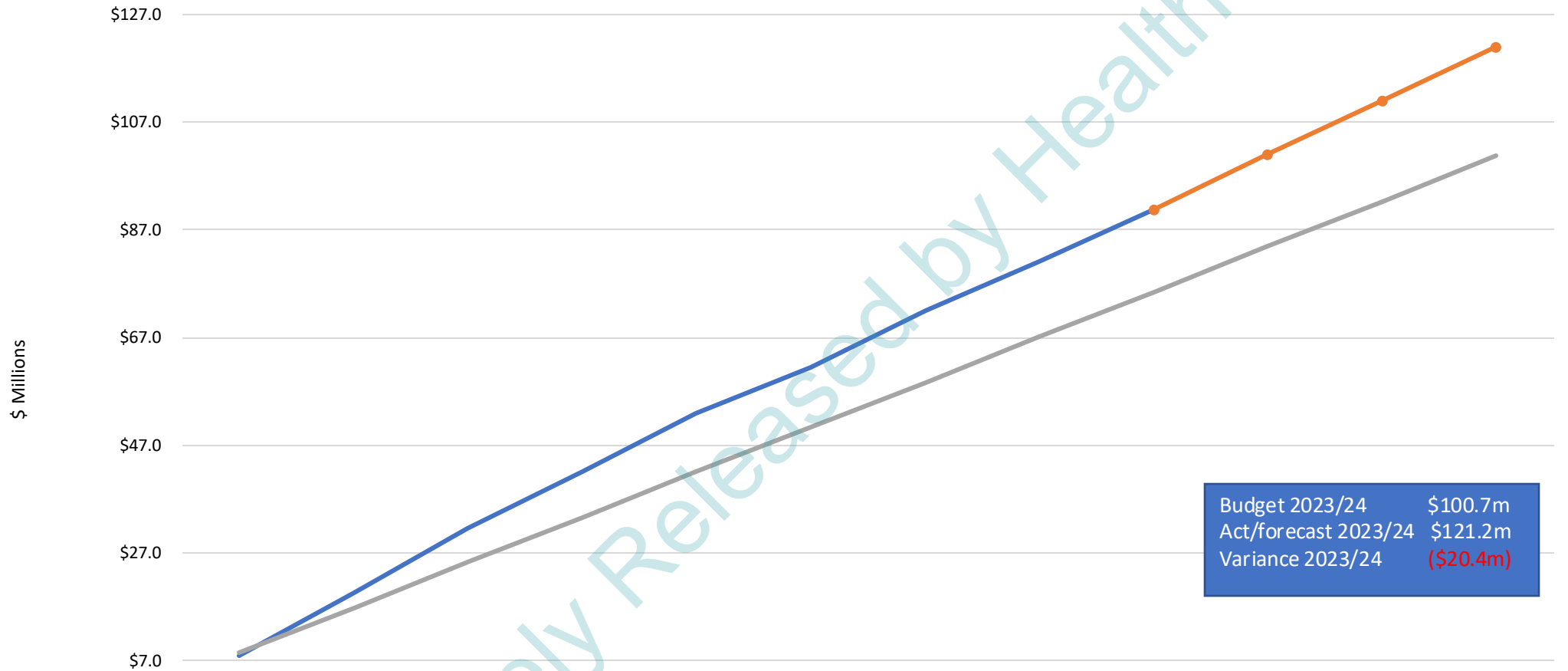
Measures put in place to reduce spend include:

- Only incurring maintenance spend on critical infrastructure assets to meet minimum levels of service or compliance
- Mainly reactive maintenance work, focused on issues that impact Health and Safety and compliance
- Not entering into any new commitments
- Confirming whether spend incurred as maintenance is in fact capital and could be capitalised
- Currently operating on a 'run to fail' model

Risks of reducing spend include:

- Higher risk of building closures impacting clinical spaces
- Increased Health and Safety risks for patients, visitors, staff and contractors
- Further degradation of the building and infrastructure asset portfolio, reducing asset lives and increasing unplanned outages
- Deferred maintenance backlog continues to grow
- Deferred works in this financial year will cost more in outer years

2c. Infrastructure maintenance spend actuals/forecast against budget 2023/24



	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Actuals 2023/24	$7.9	$19.7	$31.6	$42.2	$53.1	$61.4	$72.0	$81.1	$90.9			
Forecast 2023/24									$90.9	$101.0	$111.1	$121.2
Budget 2023/24	$8.4	$16.8	$25.2	$33.6	$42.0	$50.4	$58.8	$67.2	$75.6	$84.0	$92.3	$100.7

2. Progress against 4 areas of over expenditure

d. Leave Revaluation

- Annual leave and other leave balances have increased by 14.5% from 1 July 2023 to 31 March 2024.
- An increase of $195million on a base of $1.34billion.
- The funding drawdown conditions for the second tranche of nursing pay equity do not allow compensation for leave revaluation. The leave revaluation impact of this is a movement of circa $40million. This should be funded or an adjustment to target forecast allowed.
- Holidays Act rectification for the three metro Auckland DHBs existing staff has lead to an additional leave movement of circa $70million. Work is underway to independently validate the movement and review accounting treatment, this will be completed in May.

2. Progress against areas of over expenditure

e. Emerging risk

- Pharmacy zero prescription co-payment demand may be higher than budgeted by $25-30 million (based on beginning April reconciliation)
  - Original calculation of the demand has underestimated the financial impact for Health NZ. The allocation of $170 million may not be sufficient to meet the full cost of this initiative in the 2023/24 year.

3. Year end forecast against Budget Target $583m surplus

Upsides and Downsides under management in last quarter to bring HNZ to $583m surplus

Upsides	$Ms	Downsides	$Ms
Allied Health Revenue	$ 168	COVID revenue repayment	$100
Pharmac Revenue	$ 90	RDA settlement	$ 30
Leave Liability revalue (down)	$ 40	HSS run rate over budget	$150
CME revaluation	$ 25		
Actuarial Valuations	$ 15		
Balance Sheet reviews and run rate savings	$ 100		
Recovery Plan items	$ 105		
Maintain underspends across the business	$ 21		
Totals	**$ 564**		**$280**

Year to date the organisation result is a $299m surplus. If the above items are delivered the net improvement of $284m would bring the result to the $583m target.

Summary key messages

- The operating result for the month of March is a $196m surplus, which is $220m favourable to the original budget.
- Movements in the month were in line with the previous month's forecast track and there is an improvement in the underlying run rate in March for Hospital and Specialist Services and Infrastructure and investment.
- Progress is being made to control costs for nursing, outsourced staffing, infrastructure and improve clinical supply savings.
- The year end forecast has improved to $541million surplus, currently $42m less than the target surplus of $583million. Work continues to close this gap completely.

14 May 2024

Hon Nicola Willis

Minister of Finance
Minister for the Public Service
Minister for Social Investment
Associate Minister of Climate Change

Dame Dr Karen Poutasi

Chair, Health New Zealand | Te Whatu Ora

Dear Dame Karen

Thank you for your work to address outstanding risks and opportunities related to health data and digital infrastructure.

We have recently agreed to release contingency funds to Health New Zealand to support your work to upgrade payroll and rostering systems.

We are concerned about the progress of this work to date and would like more information about what funds have already been invested, the outputs achieved, and future plans.

We request that the following detail is provided to ourselves, as well as the Treasury and Ministry of Health by 30 June 2024:

- Detail on what activity and spending on addressing payroll system risk has occurred in the last 12 months, broken down by activity and funding source.
- Concrete information on how the $15.0 million operating and $10.1 million capital funding will be spent, broken down by activity.
- Detail of the expected timeline and process for the development of a business case to address outstanding payroll and rostering risks.

We expect that in future, updates on this work will be provided for inclusion in the Treasury's Quarterly Investment Reporting processes.

We look forward to hearing from you.

Yours sincerely

Hon Nicola Willis
Minister of Finance

Hon Dr Shane Reti
Minister of Health

Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand | +64 4 817 6801 | n.willis@ministers.govt.nz

Aide Memoire

Update – April Financial Result

To:	**Hon Dr Shane Reti** **Minister of Health**	**Reference:**	**HNZ00048471**
From:	Dale Bramley Acting Chief Executive	**Due Date:**	17 May 2024
Copy to:	n/a	**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Dale Bramley	Acting Chief Executive	s 9(2)(a)	x
Rosalie Percival	Chief Financial Officer	s 9(2)(a)	

The following departments/agencies have been consulted

We have discussed our April financial result and next steps, including controls, with the Ministry, Treasury and DPMC.

Attachments

Appendix 1: Updated financial information on 203/24 year-end expected position

Appendix 2: FTE changes

Appendix 3: National Summary – activity *

*** N.B. Not in scope, no financial information**

Purpose

This briefing provides you with an update on the April financial result and controls and actions to be taken in response to the current financial position.

Key Summary

1. Up to March 2024 Health New Zealand I Te Whatu Ora was tracking close to the target budget surplus for 2023/24 of $583million.
2. The April result shows a significant deterioration, an unfavourable result of $245million for the month. If we factor in the year-to-date portion of expected revenue associated with allied pay equity (anticipated to be paid June), the adjusted year-to-date result would be unfavourable by $138million (relative to budget).
3. If the picture doesn't change, we may see a worst-case scenario year-end position of $237 million surplus ($346million unfavourable). A best-case scenario year-end position would be around a $317million surplus ($266million unfavourable).
4. The deterioration in our financial position is mostly explained by an underlying spending problem of about $100million each month, most of which stems from nursing FTE and additional hours paid.
5. Service volumes and staffing levels in our hospital settings are improving. We have made significant headroom in addressing a long-running problem of nurse shortages. Nurses are also reporting a better work experience. Staffing levels in key parts of the workforce also better support staff wellbeing, including ability to and enable people to take leave.
6. Additional cost controls (on top of those in place) will be put in place immediately; these are set out in the briefing.
7. There are also longer-term measures that need to be put in place to support better and earlier understanding of costs, with better linkages to our people and activity monitoring processes.

Background

8. Up to December we had been heading relatively close to our year-end target – a budget surplus of $583 million. Since December, some areas began to track expenditure outside our budget expectations. Interventions were immediately put in place to be able to contain costs. These included:
    a. use of clinical supplies
    b. roster management (including reducing overtime)
    c. improved leave management practices
    d. improving matching of staff to demand
    e. reduction in the use of outsourced personnel (ie agency nurses or locums).

9. While there were some minor and encouraging improvements in the March financials, our April results show that cost controls have not had their intended effect. The April results show our financial position is $245million unfavourable.

10. If we factor in the year-to-date portion of expected revenue associated with allied pay equity (anticipated to be paid June), the adjusted year-to-date result would be unfavourable by $138million (relative to target budget).

11. Eliminating all one-offs for April, there remains an underlying spend problem going forward of up to $100million each month largely nursing FTE and hours.

12. If the picture doesn't change, we see a worst-case year-end position of $237million surplus compared to the targeted budgeted surplus of $583million – $346million off where we need to be.

13. Our most optimistic view at present is a year-end position of around a $317million surplus against the targeted budget surplus of $583million – $266million off where we need to be.

Discussion

April results were largely driven by paid nursing being above budget

14. The key drivers of our unfavourable April result were:

    a. Paid Nursing FTE and associated leave revaluation – this explains about 90% of the variation

    b. Filling of Allied Health vacancies

    c. Increased Medical staffing without commensurate reduction in locum staff

15. We have seen some reprieve; other cost drivers we previously discussed with you have had some positive impact:

    a. Procurement and supply chain – if we adjust for COVID-19 stock adjustments in the month, there has been a reduction in clinical supply costs

    b. Infrastructure costs – similarly, there has been a reduction in the infrastructure cost run rate.

16. The change for nursing reflects significant shifts in context. Recruitment has been strong (supported by immigration settings and pay equity); additional hours have been higher than expected; and turnover has been materially lower (likely due to economic conditions and, based on what nurses tell us, improved work experience).

17. Fiscally this means that paid nursing costs (paid hours) are 9 percent above budget. Further analysis is provided at **Appendix 1**.

… and while there are improvements to management needed, there are also persistent underlying issues that make cost control difficult

Payroll and rostering

15. There are fundamental deficiencies in our people-related information systems – we cannot 'see' in a robust or timely way our people-related cost structure. This is a challenge we inherited (and have been open about it); however, the implications haven't

previously been as pointed as our April result. In brief, the key limitations (as indicated in earlier discussions) are:

a. The inadequacies in systems, processes and capabilities do not enable us to fully plan, budget and forecast personnel costs.

b. Rostering and scheduling are not digitally controlled (through in-built system constraints); a substantial portion of medical personnel record their time on paper

c. There is no stable or single source of truth, with the 20 plus payroll environments in place across the sector, varying approaches across districts in important processes (e.g., back pay) and the lack of a single masterdata file for employees, the ability to produce a consistent, timely and stable picture of personnel costs is extremely difficult, time consuming and subject to risk of manual errors.

d. For decision-makers further from the front line at local levels, this cumbersome and manual payrolling limits the ability to monitor and respond quickly to emerging trends – and to know reasonably quickly whether their decisions are having their intended effect.

16. In addition to significant ongoing stabilisation effort, we are making good progress on shaping our future investment needs.

17. The Budget 24 commitment for $25.1million to support this work is welcome. We are looking forward to providing a full update on progress, and our latest thinking on a roadmap for future investment, to yourself and Minister Willis by 30 June.

Holidays Act remediation

18. The rollout of Holidays Act remediation in the Northern Region is also showing an ongoing higher wage cost, which will only continue as remediation is rolled out across the country. As well as a financial impact for Health NZ, this will also compound ongoing pay parity issues with the funded sector.

19. While there is sufficient funding to manage the backward-looking liability of Holidays Act, the latest information from Northern region payrolls is showing a higher leave liability cost, and a higher wage cost base generally.

20. The upside on Holidays Act remediation reported to you in previous months (an estimated $70 million) is expected to be finalised in June. However, this only accounts for the three former metro Auckland DHBs. Further calculations from other un-remediated districts (such as Northern region, discussed above) appear to be under-accrued. It is too soon to estimate a total figure (more will be known in June), but it may fully offset the favourable position reported previously.

Financial management approach heading into 2024/25

21. Other key features of work for the next three years are being currently developed to facilitate appropriate budgeting and management for next year as part of a 'financial sustainability roadmap' (a condition of Budget Cabinet for cost pressure funding). This will likely include:
    a. Getting a stronger understanding of our labour assumptions and the carry-through implications for upcoming MECA settlements
    b. A stronger focus on productivity improvements (and measurement), with a first focus on operational efficiencies, and supply chain improvements in HSS

c. Creating a stronger management plan for monitoring savings targets and a catalogue of cost control measures that are known to be effective to be able to be deployed early.

Whilst the financial result is concerning, service volumes and safety are improving

22. The higher costs we are seeing are partly explained by higher service volumes. Our latest comparison indicates a 5% rise in medical and surgical case weights (July-April) compared to the same time last year. This is greater than twice the rate of estimated population growth. In part this can be attributed to higher acute admissions (from an increase in ED attendance, estimated to be 3.3% greater over the same period).

23. This is a positive result, and the volume increase will likely be higher than 5% once the latest data is coded and compiled. More information can be found at **Appendix 3.**

24. We also now have safer levels of staffing. We estimate that from June 2023 to March 2024 nursing headcount increased by 2,886 FTE. Nurses also tell us that engagement and having the resources they need has improved. Our latest Pulse Survey results show a move from 29% to 41% for "I now have the resources" and a rise in overall engagement from 57% to 62%.

25. As such, we have addressed a long-running problem of a significant nursing shortage. We now have levels in key parts of the workforce that improves staff wellbeing and provides greater scope for appropriate breaks and taking annual leave.

Further cost controls are being put in place

26. To further respond to cost pressure, further controls will be universally applied across all parts of Health NZ. We will keep you updated on these plans.

27. Additional and tighter controls will lead to some increased negative sentiment from parts of our workforce and representative groups. s 9(2)(b)(ii)

28. The key control options to add or strengthen, which we will talk you through further, are:

    a. Strengthen specific HSS cost controls already in place

    b. Immediate pause on organisation-wide recruitment, including CCDM uplifts – with the ability to override for clinical and safety considerations by senior clinical leaders, GDOs & executive leadership members

    c. Identifying staff with high annual leave balances who have not taken leave in last 12 months and put in leave plans

    d. Immediate strengthening of approval controls for additional duties and shifts, and adherence to locum rate cards

    e. Stopping or deferral of major project spend in groups outside HSS – all major external expenditures remaining this financial year are being explored by the leadership team

    f. Immediate pause on organisation-wide spend on contractors for new or extended contracts (with an override only at ELT or CEO level)

    g. Immediate strengthening of expectations of leaders regarding annual leave management (including leave encouragement subject to business needs)

h. Drive harder on clinical supply savings

i. Immediate restriction on non-essential travel

29. We recognise the need to forecast the expected efficacy of each of these controls, both for their effect in the remaining part of 2023/24 and, as importantly, the flow-on efficacy as part of managing significant financial pressure in 2024/25.

30. We will continue to work with you and your office on whether any of these proposed controls require Ministerial support to make the progress that we see as critical for our long-term success.

Key messages

31. We are working closely with your office on communications. We have provided initial talking points to help frame the messaging and will continue to liaise on these as they are further developed. The key elements are:

- Health NZ is putting further management controls in place to manage spending.
- It needs to bring overspending down to live within its budget.
- Controls will be managed in a way that ensures patient and staff safety are not compromised.
- The health system has been under pressure for a long time.
- It has been running on old systems and infrastructure with significant workforce shortages and facing major cost pressures.
- Despite this, more care than ever is being provided to New Zealanders
- So far in 2023/24, 26 thousand more people have received medical or surgical treatment in our hospitals compared with a year ago - a five percent increase to over 542,000 people.
- At the same time, cases are more complex and acute events have increased so that's a significant achievement.
- We have more clinical staff than ever before.

Next steps

32. We are intensely focused on managing this situation. We will continue to prepare internal and external messaging and continue to work with your office on any further communications needed.

33. The impact of the financial position will also be factored into the finalisation of the New Zealand Health Plan and the finalisation of our detailed business plans and funding allocations for 2024/25.

Appendix 1 – Updated financial information on 2023/24 year-end expected position

See attached PDF presentation

17 May 2024

Updated financial information on 23/24 year-end expected position

Period Ended 30 April 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Year to Date result and Full Year Forecast 2023/24 as at 30 April 24

Health New Zealand Te Whatu Ora	April 2024 Month			Year to Date			YTD	Full Year	Year End
Group $Millions	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	*Last Year Actuals*	Budget	Forecast
Revenue									
Appropriations	1,952	1,935	17	19,510	19,369	141	*19,061*	23,387	23,726
Other Government Revenue	221	214	7	2,424	2,137	287	*1,980*	2,564	2,865
Third Party Revenue	8	6	2	85	60	25	*68*	72	101
Other Revenue	43	36	7	469	360	109	*361*	432	556
Total Revenue	**2,224**	**2,191**	**33**	**22,488**	**21,926**	**562**	***21,469***	**26,456**	**27,248**
Expenditure									
Internal Personnel									
Medical Personnel	278	254	(24)	2,520	2,580	60	*2,340*	3,096	3,085
Nursing Personnel	459	340	(119)	4,098	3,447	(651)	*3,512*	4,136	4,967
Allied Health Personnel	165	118	(47)	1,315	1,203	(112)	*1,093*	1,444	1,596
Support Personnel	33	29	(4)	301	295	(6)	*277*	354	361
Management & Admin Personnel	139	130	(9)	1,362	1,357	(5)	*1,433*	1,622	1,635
Subtotal Internal Personnel	**1,074**	**871**	**(203)**	**9,596**	**8,882**	**(714)**	***8,655***	**10,651**	**11,644**
Outsourced Personnel	48	24	(24)	443	242	(200)	*389*	291	521
Other Operating Costs	398	388	(11)	3,858	3,890	32	*4,425*	4,675	4,670
Primary and Community Services	796	751	(45)	7,413	7,468	55	*6,966*	8,970	8,868
Interest, Depreciation & Capital Charge	110	109	(1)	1,081	1,067	(14)	*988*	1,286	1,308
Total Expenditure	**2,426**	**2,143**	**(302)**	**22,391**	**21,550**	**(531)**	***21,422***	**25,873**	**27,011**
Core Net Surplus/(Deficit)	**(203)**	**48**	**(251)**	**96**	**376**	**(280)**	***47***	**583**	**237**
Adjust for Hauora Maori Services (from 1 April 2024)									
Revenue	**60**		60	**60**		60			
Expenditure	**54**		(54)	**54**		(54)			
	6		**6**	**6**		**6**			
Net Surplus/(Deficit) from Operations	**(197)**	**48**	**(245)**	**102**	**376**	**(274)**	***47***	**583**	**237**
Allied Health pay equity revenue offset	*137*		*137*	*137*		*137*			
Result variance excluding pay equity	***(60)***	***48***	***(108)***	***239***	***376***	***(137)***	***47***	**583**	**237**

Comments

Up to April, we had been heading relatively close to our year-end target ($541m surplus being a gap of $42M to the targeted budget surplus of $583M at end March 24). This has deteriorated in one month to a forecast $237m surplus.

The key point to note is the significant deterioration in April in nursing spend against the restated budget. Paid full time equivalents are significantly above budget for nursing.

The underlying expenditure run rate in April has deteriorated dramatically, circa $100m per month, due to additional hours being paid for largely additional nursing FTE although vacancies in all staff categories have reduced.

While there are other under and overspends in the month, these are largely consistent with last month's year end forecast and relate to timing differences. These do not materially impact the forecast.

The adjusted underlying result when pay equity revenue is factored in is $108m unfavourable for month and $137m year to date. If this is not remediated the annual impact is circa $1billion.

1c. H&SS April results by region/district

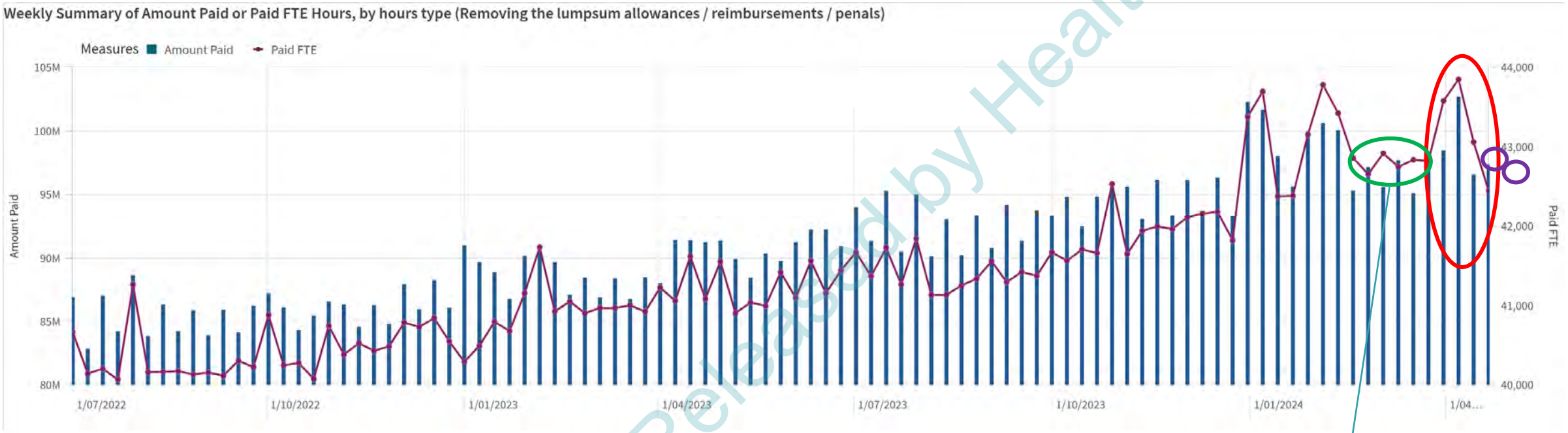
H&SS Financial Summary $000s	Apr (Headline)	Underlying Apr YTD	Apr Budget	Underlying Variance	Variance as a % of Budget	Apr YTD (Headline)	Underlying Apr YTD	Apr YTD Budget	Underlying Variance	Variance as a % of Budget
	Apr Month Actuals					Apr YTD Actuals				
Northern Region										
Northland	52,497	49,338	39,028	(10,310)	-26%	492,651	439,481	396,431	(43,051)	-11%
Waitemata	110,461	106,545	89,930	(16,615)	-18%	1,081,367	968,009	914,211	(53,798)	-6%
Auckland	173,339	162,541	153,699	(8,843)	-6%	1,793,328	1,584,886	1,562,954	(21,932)	-1%
Counties Manukau	124,733	117,435	100,455	(16,981)	-17%	1,172,970	1,045,537	1,020,319	(25,219)	-2%
Total Northern Region	**461,029**	**435,859**	**383,112**	**(52,748)**	**-14%**	**4,540,316**	**4,037,913**	**3,893,914**	**(144,000)**	**-4%**
Te Manawa Taki										
Waikato	117,071	108,996	91,644	(17,353)	-19%	1,149,865	996,849	931,391	(65,457)	-7%
Bay of Plenty	55,253	50,510	46,051	(4,458)	-10%	568,681	482,756	467,989	(14,766)	-3%
Lakes	25,399	22,149	19,196	(2,953)	-15%	232,351	201,281	195,157	(6,124)	-3%
Tairawhiti	12,829	12,508	12,074	(435)	-4%	134,583	121,385	122,638	1,253	1%
Taranaki	29,292	27,705	22,487	(5,218)	-23%	286,592	249,717	228,600	(21,117)	-9%
Total Te Manawa Taki	**239,843**	**221,868**	**191,451**	**(30,417)**	**-16%**	**2,372,072**	**2,051,988**	**1,945,776**	**(106,212)**	**-5%**
Central Region										
MidCentral	44,266	41,626	36,035	(5,591)	-16%	415,545	364,017	366,012	1,995	1%
Whanganui	15,934	14,749	13,158	(1,591)	-12%	160,503	141,520	133,651	(7,869)	-6%
Hawkes Bay	44,320	42,139	32,340	(9,799)	-30%	420,166	360,841	328,702	(32,139)	-10%
Wairarapa	7,918	7,470	6,126	(1,344)	-22%	79,269	66,172	62,292	(3,880)	-6%
Hutt Valley	24,469	23,523	18,718	(4,805)	-26%	244,419	221,864	190,273	(31,591)	-17%
Capital and Coast	102,694	97,464	75,159	(22,305)	-30%	1,001,290	870,559	764,348	(106,210)	-14%
Enable NZ				0					0	
Total Central region	**239,602**	**226,970**	**181,536**	**(45,435)**	**-25%**	**2,321,191**	**2,024,972**	**1,845,278**	**(179,694)**	**-10%**
Te Waiponamu										
Nelson Marlborough	34,639	33,993	27,440	(6,552)	-24%	296,470	275,605	279,305	3,700	1%
West Coast	10,678	9,897	8,438	(1,459)	-17%	104,245	88,436	85,845	(2,591)	-3%
Canterbury	132,340	121,780	111,898	(9,882)	-9%	1,375,725	1,161,385	1,137,421	(23,965)	-2%
South Canterbury	11,418	10,129	9,851	(278)	-3%	117,015	101,350	100,085	(1,265)	-1%
Southern	78,952	71,189	60,959	(10,230)	-17%	783,446	684,450	619,482	(64,967)	-10%
Brackenridge Services	(229)	(229)	(51)	178	-349%	(485)	(485)	(95)	391	-413%
Canterbury Linen	(146)	(146)	(79)	67	-85%	(1,883)	(1,883)	(662)	1,221	-185%
Canterbury Eliminations *	(30)	(30)	0	30		(335)	(335)	0	335	
Total Te Waiponamu	**267,621**	**246,582**	**218,456**	**(28,126)**	**-13%**	**2,674,197**	**2,308,522**	**2,221,381**	**(87,141)**	**-4%**
SSAs and Corporate										
Health NZ	48,625	117,941	112,852	(5,090)	-5%	(279,523)	1,098,265	1,125,133	26,868	2%
Central Region's TAS Ltd	185	185	199	14	7%	2,061	2,061	2,016	(45)	-2%
HealthShare	0	0	290	290	100%	1,491	1,491	2,946	1,455	49%
HealthSource	1,849	1,849	2,140	292	14%	19,738	19,738	21,745	2,007	9%
Northern Regional Alliance	1,797	1,151	478	(673)	-141%	8,123	1,666	4,896	3,230	66%
NZ Health Partnerships	(0)	(0)	373	374	100%	2,400	2,400	3,794	1,394	37%
Total SSAs and Corproate	**52,455**	**121,125**	**116,332**	**(4,793)**	**-4%**	**(245,711)**	**1,125,620**	**1,160,529**	**34,909**	**3%**
Total H&SS	**1,260,551**	**1,252,405**	**1,090,886**	**(161,519)**	**-15%**	**11,662,066**	**11,549,015**	**11,066,877**	**(482,138)**	**-4%**

Notes

- The actual result for April in the month is $161m unfavourable for Hospital and Specialist services versus $64m unfavourable variance in the same table last month.
- This table normalises the result for each district to exclude variations for budgets held elsewhere

2b. All Staff – Weekly Hours and FTE

The graph below shows all staff paid via AMS systems, just over 50% of Health NZ.



Note that in March (shown in the green circle) there was a downward trend compared to February.

This has reversed in April as per the red circle

The two final oval dots are the information from May payrolls

Green circle shows the last reporting included in graphs displayed last week.

Red circle shows April pay runs.

Purple circles show estimated additional data points from manual collections

Leave Revaluation Update

Further reconciliation of data on Annual Leave movements has been undertaken.

Annual leave and other leave balance increases have had a net impact on the bottom line of $148m in year as at 30 April. Extrapolation of available payroll data relating to general ledger shows:

1. The uplift when Holidays Act rectification for the three metro Auckland DHBs existing staff was paid has been fully covered by the provision release and is not in this number.
2. Approximately $117m relates to budgeted uplifts for collective settlements including pay equity for nurses and is not a comparison to budget issue. There is not a case for additional revenue or compensation for this amount.
3. The additional $31m of cost above budget relates to paying more FTEs than budget, some additional holidays act costs ongoing and Allied Health Pay equity movements. Work is underway to determine the accuracy of this number and the breakdown of that.

Risks and Opportunities not included in year end forecast

Table showing risk rated items not in $237m year end forecast and notes

Upsides	$Ms	Likelihood		**Downsides**	$Ms	Likelihood	$Ms
Leave Liability revalue (down)	$ 40	75%	$ 30	COVID revenue repayment	$ 100	70%	$ 70
CME revaluation	$ 25	90%	$ 23	Holidays Act liability increase	$77	50%	$ 39
Actuarial Valuations	$ 15	70%	$ 11				
Balance Sheet reviews and run rate savings	$ 60	80%	$ 48				
Totals	**$ 140**		**$ 111**		**$ 177**		**$ 109**

	This month	*Last month*
Year to date position	***$ 102***	***$ 299***
Deterioration of performance - worst case, built into forecast	-212	
Revenue for Allied Health pay equity, built into forecast	345	
Net risk rated upside from above items	$ 2	
Net upsides to year end in last month's forecast		*242*
Projected year end based on adding probability of above items to forecast	**$ 237**	*$ 541*

Notes:

1 further emerging risk is the current valuation for unremediated Holidays Act payments

2 One area of possible improvement is changing the valuation basis completely for CME.

3 MOH have indicated that Allied Health revenue is expected, if it's not drawn down until 2024/45 the target will be reduced from $583m to $283m and the forecast to a deficit of $108million.

Appendix 2 – FTE Impacts from April result

April results shows FTE over budget by 3,892 FTE, 91.2% of which is from nursing personnel….

Table 1 - Paid Full Time Equivalents for April month and year to date (monthly average)

Health New Zealand Te Whatu Ora	April 2024 Month			Year to Date			*Last Year Actuals*	Budget
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance		
Paid FTE - 40 hours per FTE								
Medical Personnel	11,131	11,135	4	10,802	10,907	105	*10,505*	10,958
Nursing Personnel	39,979	36,457	(3,522)	37,658	36,516	(1,142)	*34,902*	36,503
Allied Health Personnel	14,635	14,805	170	14,109	14,573	464	*13,820*	14,625
Support Personnel	4,696	4,444	(252)	4,548	4,485	(63)	*4,378*	4,476
Management & Admin Personnel	16,510	16,218	(292)	16,068	16,253	185	*15,996*	16,245
TOTAL Paid FTEs	**86,951**	**83,059**	**(3,892)**	**83,185**	**82,734**	**(451)**	***79,601***	**82,807**

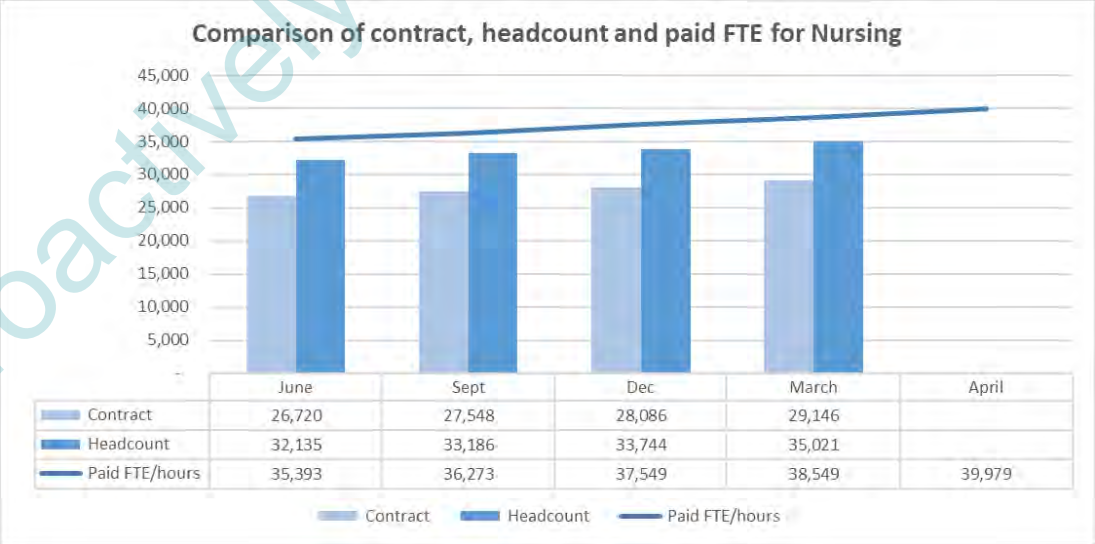
…This trend has been growing since October 2023 and is as result of successful recruitment and retention of nursing staff…

Table 2 – Nursing Paid Full Time Equivalents

Nursing Paid **FTE - 40 hour divisor**			
Month	Actual	Budget	Variance
Jul-23	36,631	36,575	-56
Aug-23	36,130	36,562	432
Sep-23	36,273	36,549	276
Oct-23	37,166	36,535	-631
Nov-23	36,766	36,522	-244
Dec-23	37,549	36,509	-1040
Jan-24	38,626	36,496	-2130
Feb-24	38,915	36,483	-2432
Mar-24	38,549	36,470	-2079
Apr-24	39,979	36,457	-3522

… the trend is consistent for both contracted and permanent nursing staff

Graph 1 – Comparison of contract, headcount and paid FTE June to April (provisional data only)



Appendix 3 – National Summary of Activity June to April (provisional data only)

Out of scope

Health New Zealand
Te Whatu Ora

22 May 2024

Hon Nicola Willis
Minister of Finance
nicola.willis@parliament.govt.nz

Hon Dr Shane Reti
Minister of Health
shane.reti@parliament.govt.nz

Dear Ministers

Health New Zealand: Payroll and rostering systems

Thank you for your letter received on 14 May 2024 regarding payroll and rostering systems at Health New Zealand | Te Whatu Ora (Health NZ).

De-risking, stabilisation and modernisation of our roster to payroll systems is a top priority for the Board given the systems we inherited from the former District Health Boards were not fit for purpose. We therefore appreciate the release of contingency funds to support important work in this area. From our perspective, this is a vital investment in the productivity, integrity and sustainability of the health system which will enable us to build upon the work we have undertaken to date.

We understand your need to have high visibility of work to date, including funds invested and what they have achieved, and to understand how we see the path ahead. This is an initial response, with further detail to be provided within the timeframe you have set (before 30 June).

The significant opportunity we see is the implementation of modern and compliant roster to pay systems, optimised within our information technology environment. As a people business, this is fundamental to understanding and planning our most significant cost – people – and to having robust and timely insights about our performance, to drive performance improvement in the best possible ways.

There are a wide range of benefits and outcomes, beyond the significant risk reduction we need to manage, that we need to secure. These include:

- increases in productivity and accuracy through a reduction in manual processes;
- improved visibility of workforce data nationally in order to triangulate production and performance with labour inputs;
- ability to forecast labour costs and optimise rosters by moving from paper based systems;
- better insights into our core business giving us the ability to manage in a more agile and efficient way;
- tactical investment where it is most needed;
- greater economies of scale and efficiencies; and
- ultimately, a modern, compliant, automated roster to pay system to ensure our people are paid on time, accurately, and in line with existing and future contract and legislative settings with minimal manual intervention.

We have undertaken significant due diligence since inception to understand the opportunities and challenges in this area. The initial work commissioned by the Board in July 2022 found that no payroll system was legally compliant, a number of systems were end of life in terms of support and upgrades, and many systems were unable to deal with the complexities of our numerous collective agreements. More recently, we have commissioned EY to undertake an independent review of our roster to pay services, with the final report expected this week. In the meantime, we have already taken a number of actions to address payroll risks, including progressively ensuring payrolls are compliant with the Holidays Act. Most significantly, we remediated payroll for our current Auckland Metro/Northland staff (equating to roughly 40% of our people) in late 2023.

Moving to a stabilised and modern system will take considerable time and require ongoing management of significant risks and a number of iterative investments. The challenges are very real. In summary, the key findings of the EY report are that:

- there is high variability across the country with some systems being stable and modern, and others being isolated and outdated which causes compliance, legal and financial risks;
- systems are not integrated causing inefficiencies and limiting business functions;
- we are unable to plan and forecast labour costs and interrogate data, and;
- there are highly manual processes in places creating a high administrative burden and discrepancies in compensation accuracy and timeliness.

As noted above, the wider impacts on our ability to monitor and drive performance are also very significant, and something we must overcome to meet the longer-term challenges of the system.

We have shared the draft report with both Treasury and the Ministry of Health and will provide them with a copy of the final report as soon as it is available. We will provide more detail about the report's findings and recommendations in our substantive response to your letter (by 30 June), including how we propose to take recommendations forward.

On behalf of the Board, I hope this initial update is useful. This is a critical area for our operations and we appreciate the recent government investment to support us and extend the work we have already done.

Yours sincerely

Dame Dr Karen Poutasi
Chair, Health New Zealand

Aide Memoire

April Monthly Performance Report

To:	**Hon Dr Shane Reti, Minister of Health**	**Reference:**	**HNZ00049329**
From:	Peter Alsop	**Due Date:**	31 May 2024
Copy to:		**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Peter Alsop	**Chief of Staff**	s 9(2)(a)	**x**
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	

Attachments
Appendix 1: April Performance Report **
Appendix 2: April Financial report
Appendix 3: Te Pae Tata Milestones *
Appendix 4: Health Targets *
Appendix 5: Activity dashboard *

*** N.B. Out of scope, no financial information**
**** N.B. Excerpt section 16(1)(e)**

Peter Alsop
Chief of Staff

Purpose

1. This Aide-Memoire presents the Health New Zealand | Te Whatu Ora April Monthly Performance Report and associated Appendices (the Report).

Background/Context

2. Our Monthly Performance Reports are structured to align with the six key priorities of the Interim New Zealand Health Plan | Te Pae Tata 2022-2024.
3. Data is reported as of 30th of April.
4. The Board reviewed and discussed the April report at its May meeting.
5. This report is not proactively published – only our Quarterly reports are published.
6. A copy of the report has been provided to the Ministry of Heath | Manatū Hauora, and the Treasury.
7. On 23 May, Health NZ executive leaders (CE, CFO, Chief of Staff, Director Commissioning, Director HSS and Director P&C) held a joint monthly monitoring meeting, with monitoring staff from the Ministry of Health, Treasury and the Public Services Commission. A key focus of the conversation was the fiscal results for April and activities underway to manage these.

Next Steps

8. We welcome any questions on, or discussion with you, about our performance report.

Appendix One – April Performance Report (31 May 2024)

2.2 Financial outlook

Up to March 2024 Health New Zealand | Te Whatu Ora was tracking close to the target budget surplus for 2023/24 of $583m with a forecast year end gap to close of $42m.

The April result shows a significant deterioration, an unfavourable result of $245 million for the month. If we factor in the year-to-date portion of expected revenue associated with allied pay equity (anticipated to be paid June), the adjusted year-to-date result would be unfavourable by $137 million (relative to the restated budget/target). If the controls being implemented with urgency to curb nursing FTE and cost growth do not produce immediate results in the last two months of this financial year, we may see a worst-case scenario year-end financial result of $237 million surplus (that would be $346 million unfavourable to the target). A best-case scenario year-end result with effective controls and strategies for cost pressure management would be a $317 million surplus ($266 million unfavourable).

The deterioration in our financial performance is mostly explained by an underlying spending problem of about $100 million each month, most of which stems from nursing FTE and additional hours paid.

31 May 2024

Monthly Finance Report for Board

Period Ended 31 April 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Financial Performance Summary:

Issues / Risks:

The result for the year-to-date 30 April is $137m unfavourable to the re-stated budget target. Over $100m of the unfavourable variance year to date relates to the April month. The run rate in April is a substantial deterioration from the previous nine months. Nursing costs are the major factor impacting the results and forecasts, nearly 90% ($120m) of the $137m year-to-date spend issue, with nursing FTEs greater than budget by 3,522 for the month of April and 1,142 YTD. Nursing paid full time equivalent numbers are 9% above where they were at the start of the year. (Note this measure is a derived divisor where one FTE is based on 40 paid hours per week).

The deterioration in financial performance is unacceptable and concerted effort has been placed on understanding the drivers, enhancing controls and implementing further controls to mitigate further deterioration and address cost pressures. Urgent work is also underway to understand implications of cost pressures on 2024/25 budgets and mitigations required. If the increase in the current run rate is not managed and contained there will be an impact on how much of the 2024/25 funding uplift is available for additional wage or volume increases. To set the recent increase in nursing numbers in context, recruitment has been strong (supported by immigration settings and pay equity) and turnover has been materially lower (likely due to economic conditions and, based on what nurses tell us, improved work experience). Contracted and Headcount measures are available only until March at this point in time. Up until March the trend lines for increases in paid FTE, contracted FTE and headcount were all consistent, albeit they are different measures.

Volume information for the month of April is not yet available at this point in time. For the year-to-date March there has been an uplift of around 5% in case weighted volumes.

Savings achieved for the year-to-date to April were $451 million including unplanned savings and budget improvements amounting to $214 million. Full year savings target is $540m.

Cash:

Closing cash for Te Whatu Ora at 30 April 2024 was $1.73 billion including cash from Hauroa Maori services transferred to HNZ.

Capex:

Capital Expenditure (Capex) for the year-to-date to 31 March 2024 is $1.061 billion, against a budget of $2.129 billion, thus $1.068 billion below plan. Work is ongoing to develop the medium to long term Capex intentions for asset portfolios and to introduce multi year capital planning. Current Capex performance is being reviewed as part of the Capex planning processes.

Workplan:

Successful rollout of FPIM has continued with the final area, Central TAS, to be migrated in June 2024. A Gateway review of the FPIM programme is being undertaken and will be reported back via Finance and Audit Committee.

Year to Date result and Full Year Forecast 2023/24 as at 30 April 24

Health New Zealand Te Whatu Ora	April 2024 Month				Year to Date			YTD	Full Year	Year End
Group $Millions	Total Actual	Total Budget	Variance		Total Actual	Total Budget	Variance	*Last Year Actuals*	Budget	Forecast
Revenue										
Appropriations	1,952	1,935	17		19,510	19,369	141	*19,061*	23,387	23,726
Other Government Revenue	221	214	7		2,424	2,137	287	*1,980*	2,564	2,865
Third Party Revenue	8	6	2		85	60	25	*68*	72	101
Other Revenue	43	36	7		469	360	109	*361*	432	556
Total Revenue	**2,224**	**2,191**	**33**		**22,488**	**21,926**	**562**	***21,469***	**26,456**	**27,248**
Expenditure										
Internal Personnel										
Medical Personnel	278	254	(24)	-10%	2,520	2,580	60	*2,340*	3,096	3,085
Nursing Personnel	459	340	(119)	-35%	4,098	3,447	(651)	*3,512*	4,136	4,967
Allied Health Personnel	165	118	(47)	-40%	1,315	1,203	(112)	*1,093*	1,444	1,596
Support Personnel	33	29	(4)	-13%	301	295	(6)	*277*	354	361
Management & Admin Personnel	139	130	(9)	-7%	1,362	1,357	(5)	*1,433*	1,622	1,635
Subtotal	**1,074**	**871**	**(203)**		**9,596**	**8,882**	**(714)**	***8,655***	**10,651**	**11,644**
Outsourced Personnel										
Subtotal	**48**	**24**	**(24)**		**443**	**242**	**(200)**	***389***	**291**	**521**
Other Operating Costs										
Outsourced Services	72	64	(9)		670	652	(18)	*1,142*	781	811
Clinical Supplies	238	197	(40)		1,936	1,987	51	*2,228*	2,389	2,404
Infrastructure & Non-Clinical Supplies	88	127	39		1,253	1,252	(1)	*1,309*	1,505	1,455
Subtotal	**398**	**388**	**(11)**		**3,858**	**3,890**	**32**	***4,425***	**4,675**	**4,670**
Primary and Community Services										
Subtotal	**796**	**751**	**(45)**		**7,413**	**7,468**	**55**	***6,966***	**8,970**	**8,868**
Interest, Depreciation & Capital Charge										
Subtotal	**110**	**109**	**(1)**		**1,081**	**1,067**	**(14)**	***988***	**1,286**	**1,308**
Total Expenditure	**2,426**	**2,143**	**(302)**		**22,391**	**21,550**	**(842)**	***21,422***	**25,873**	**27,011**
Core Net Surplus/(Deficit)	**(203)**	**48**	**(251)**		**96**	**376**	**(280)**	***47***	**583**	**237**
Adjust for Hauora Maori Services (from 1 April 2024)										
Revenue	**60**		60		**60**		60			
Expenditure	**54**		(54)		**54**		(54)			
	6		**6**		**6**		**6**			
Net Surplus/(Deficit) from Operations	**(197)**	**48**	**(245)**		**102**	**376**	**(274)**	***47***	**583**	**237**
Allied Health pay equity revenue offset	*137*		*137*		*137*		*137*			
Result variance excluding pay equity	***(60)***	***48***	***(108)***		***239***	***376***	***(137)***	***47***	**583**	**237**

Comments

Up to April, we had been heading relatively close to our year-end target ($541m surplus being a gap of $42M to the targeted budget surplus of $583M at end March 24). This has deteriorated in one month to a forecast $237m surplus.

The key point to note is the significant increase in April in nursing spend against the restated budget. Paid full time equivalents are significantly above budget for nursing and paid nursing hours are the primary driver.

The underlying expenditure run rate in April has deteriorated dramatically, circa $100m per month, due to additional hours being paid for largely additional nursing FTE although vacancies in all staff categories have reduced.

While there are other under and overspends in the month, these are largely consistent with last month's year end forecast and relate to timing differences. These do not materially impact the forecast. Medical staffing settlements have been paid this month. Allied Health is not overspent when pay equity is adjusted for.

The adjusted underlying result when Allied Health pay equity revenue is factored in is $108m unfavourable for month and $137m year to date. If this is not remediated the annual impact is circa $1billion.

Paid Full Time Equivalents - April 2024

Nb For the purposes of financial reporting, this table represents FTEs that are paid. In other reports for the purposes of workforce development, data may be used from Health Workforce Information Programme (HWIP).

Paid Full Time Equivalents for April month and year to date (monthly average)

Health New Zealand Te Whatu Ora	April 2024 Month			Year to Date			*Last Year Actuals*	Budget
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance		
Paid FTE - 40 hours per FTE								
Medical Personnel	11,131	11,135	4	10,802	10,907	105	*10,505*	10,958
Nursing Personnel	39,979	36,457	(3,522)	37,658	36,516	(1,142)	*34,902*	36,503
Allied Health Personnel	14,635	14,805	170	14,109	14,573	464	*13,820*	14,625
Support Personnel	4,696	4,444	(252)	4,548	4,485	(63)	*4,378*	4,476
Management & Admin Personnel	16,510	16,218	(292)	16,068	16,253	185	*15,996*	16,245
TOTAL Paid FTEs	86,951	83,059	(3,892)	83,185	82,734	(451)	*79,601*	82,807

Nursing Paid FTE (divisor is 40 hours per week)

Nursing Paid FTE - 40 hour divisor			
Month	Actual	Budget	Variance
Jul-23	36,631	36,575	-56
Aug-23	36,130	36,562	432
Sep-23	36,273	36,549	276
Oct-23	37,166	36,535	-631
Nov-23	36,766	36,522	-244
Dec-23	37,549	36,509	-1040
Jan-24	38,626	36,496	-2130
Feb-24	38,915	36,483	-2432
Mar-24	38,549	36,470	-2079
Apr-24	39,979	36,457	-3522

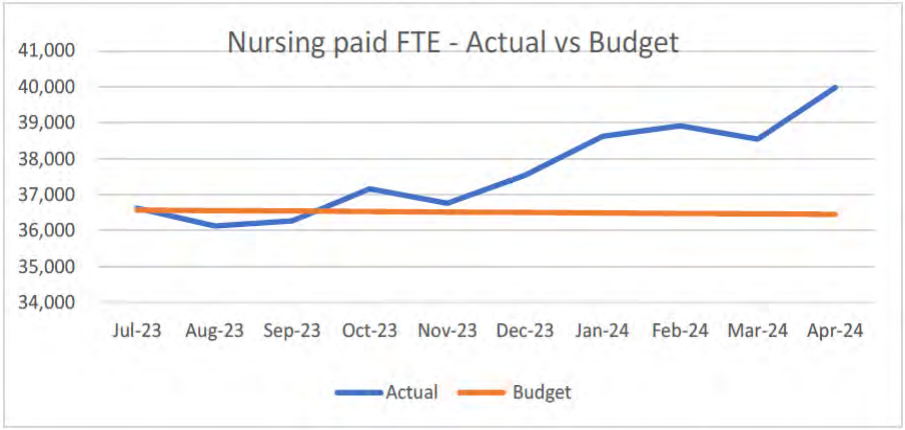
Commentary:

Significant Nursing FTE variances to budget are due to a combination of new graduate nurses intake, recruitment above budgeted levels including for CCDM safe staffing levels and overtime, with an upward trend indicated from December to date. Note that contracted and headcount staffing numbers up to March have increased in line with the paid FTE increase.

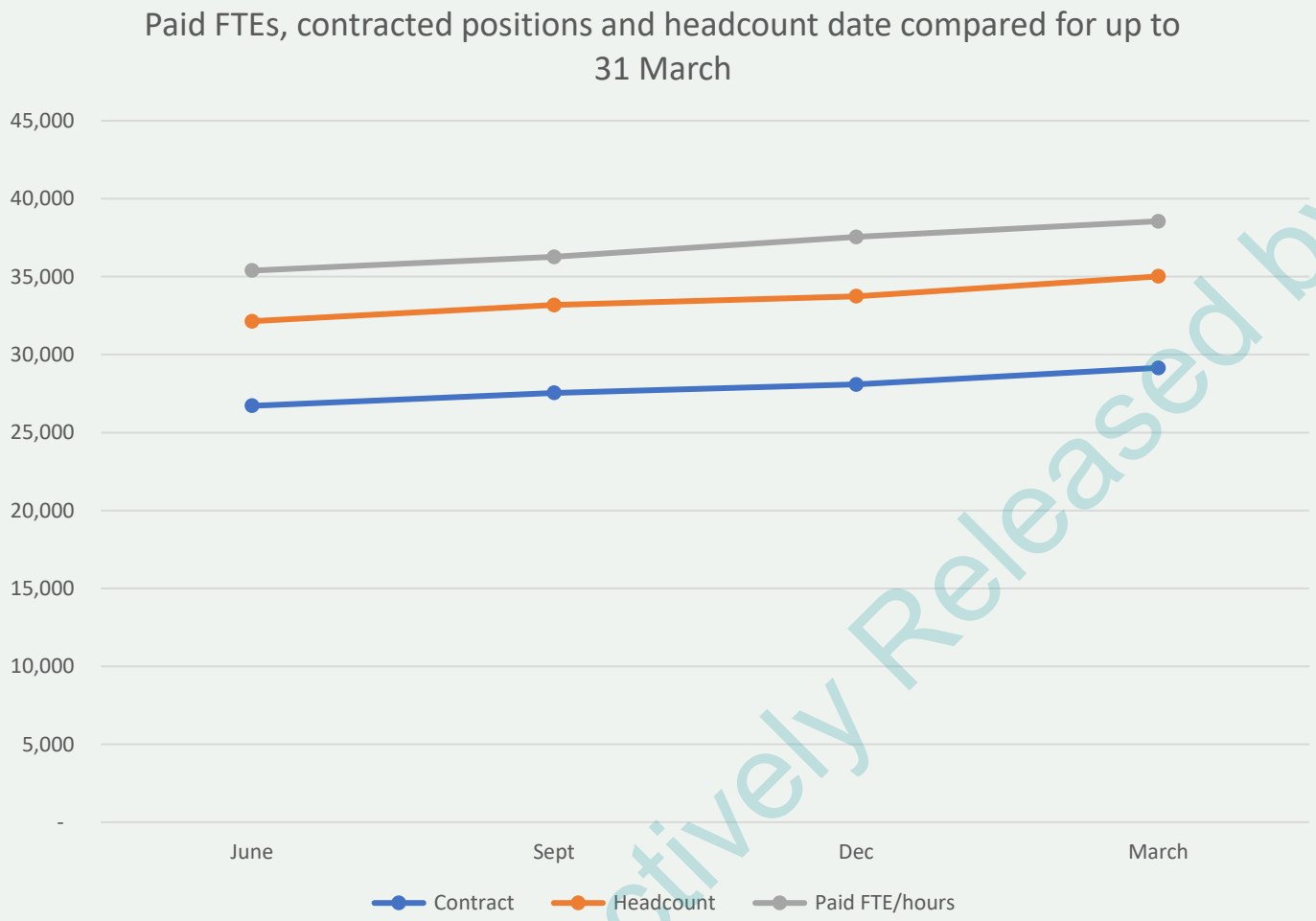
Management and Admin personnel are above budget for the month reflecting phasing differences as overall, the FTEs are within budget for the YTD.

Medical and Allied Health FTEs are favourable to budget reflecting vacancies. The level of vacancies for these has reduced and is lower in April than the year to date average.

Support and management and administration personnel are unfavourable to budget for the month and YTD, causes are under investigation.



Nursing staff: Comparison of increases in contracted full time equivalent positions, headcount and paid full time equivalents (hours paid – derived number based on 40 hours per week equals one FTE)



Comment

- Note up until March the trend of all three measures that are reported in consistent.
- Data is only available at present for March for the paid FTE (a derived number based on actual hours paid)
- Restrictions on recruitment pipeline typically have a lag in terms of flow through. When April data is available the relationship between the three measures will be visible. Both recruitment and shift by shift staffing decisions are important.

Cash Flows & Balance Sheet April 2024

Group Cash Flow Statement for the YTD to 30 April 2024	($M)	Month Mvmt
Cash Flows From Operating Activities		
Cash was provided from:		
Appropriations	18,686	
Other Government	3,487	
Receipts from Customers	643	
	22,817	
Cash was applied to:		
Payments to Employees	10,335	
Payments for Hospital Supplies	4,865	
Payments to Community Providers	7,733	
	22,933	
Net Cash Flows from Operating Activities	(116)	
Cash Flows From Investing Activities		
Cash was provided from:		
Interest Received	154	
Sale of Fixed Assets	18	
	172	
Cash was applied to:		
Purchase of PPE and Investments	**1,227**	
Net Cash Flows from Investing Activities	(1,055)	
Cash Flows From Financing Activities		
Cash was provided from:		
Equity Injections re Capital	907	
Other Non-Current Liability and Equity Movements	(3)	
	904	
Cash was applied to:		
Interest Paid	23	
Finance leases and other debt	4	
	26	
Net Cash Flows from Financing Activities	**877**	
Net Cash Flows from All Activities	(295)	
Cash at Beginning of Period	2,043	
Cash at 30 April	**1,748**	

Group Balance Sheet as at 30 April 2024	($M)	Month Mvmt
Current Assets		
Cash represented by:		
Cash - BNZ Sweep	1,794	
Cash - Trusts and Other Accounts	62	
Short Term Investments less than 3 months	30	
	1,885	
Other Short Term Investments	31	
Prepayments	197	
Debtors	609	
Inventory	331	
Other	4	
	3,058	
Current Liabilities		
Creditors	1,513	
Income in Advance	53	
Capital Charge Payable	165	
GST Input/Output Adjustments	204	
Payroll Accruals (unpaid days)	313	
Employee Deductions Liability (PAYE, Kiwisaver)	246	
Employee Entitlements	535	
Accrued Leave, including LSL & Holidays Act	3,462	
Other Provisions, Term Loans and Financial Liabilities	41	
	6,532	
Net Working Capital	(3,474)	

Group Balance Sheet as at 30 April 2024 (cont'd)	($M)	Month Mvmt
Non Current Assets		
Land	1,720	
Buildings and Plant	8,761	
Clinical Equipment	706	
Other Equipment	141	
Information Technology	94	
Software	273	
Motor Vehicles	24	
Work in Progress	2,417	
Investments in Subsidiaries and Associates	3	
Long Term Investments	63	
Other	64	
	14,267	
Non Current Liabilities		
Employee Entitlements - Non Current Portion	299	
Term Loans	98	
Other	5	
	401	
Net Funds Employed		
Crown Equity	8,545	
Capital Injections	903	
Revaluation Reserve - Land	1,637	
Revaluation Reserve - Buildings	5,536	
Other	177	
Retained Earnings	(6,410)	
	10,388	

Commentary on significant movements in the month in the Cashflow Statement and Balance Sheet:

- Appropriations are largely in line with monthly average receipts
- Inventory includes recognition of COVID inventory usage ($51m)
- Capital Charge: accrued to account for the monthly equivalent of anticipated Capital Charge invoiced to Health New Zealand (6 monthly payments).
- Holidays Act provision increases included in Accrued leave balances.

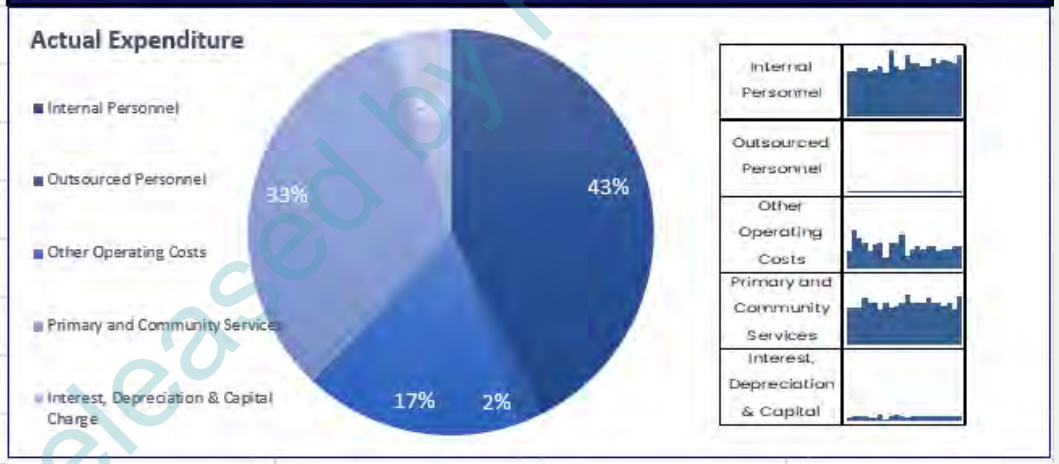
Finance Dashboard: April 2024

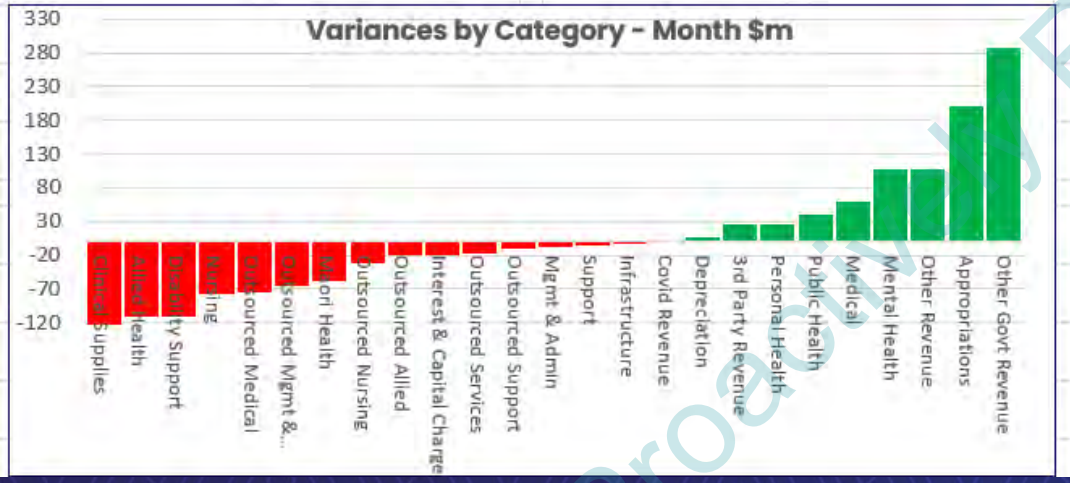
Result	Actual $m	Budget $m	Variance $m
Month	(197)	12	(210)
YTD	102	12	90

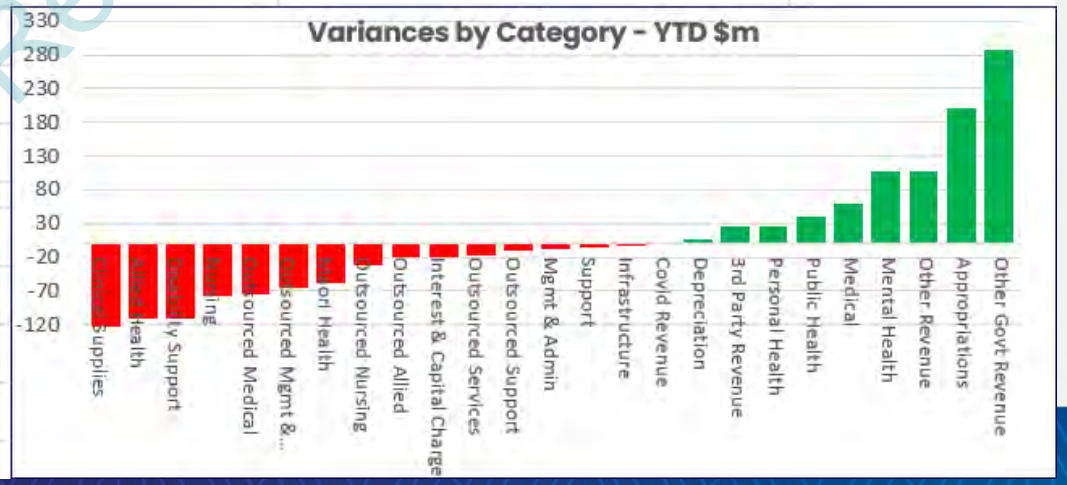
Staffing	Actual	Budget	Variance
FTE Month	86,951	83,059	(3,891)
$m Month	1,078	928	(150)

Month

YTD







Capital Expenditure (Capex) YTD MArch 2024

Capex performance is summarised in the table below. Adjustments to the approved Capex budget reflect new Capex items approved, substitutions, use of contingency and anomalies resolved. Detailed reviews of Capex forecasts are underway as part of the 2024/25 Capex Budgeting process, having considered status of business case development and approval, procurement processes and capacity.

Table 1: Consolidated Capex Performance (by asset class) for the nine months ended 31 March 2024:

(-ve) - spend below Capex budget / (+ve) spend above Capex budget

Amounts in $ Millions	2023/24 YTD Capex Perfomance				2023/24 Full Year Capex Budget, Budget Changes and Forecasts				
Asset Category	**Actual**	**Budget**	**Variance (YTD Actual to Budget)**	**Commit-ments**	**2023/24 Budget**	**Budget Changes**	**Revised Budget**	**Forecast ***	**Variance (Forecast to Revised Budget)**
Clinical Equipment	162	335	(173)	71	427	11	438	376	(62)
Facilities	789	1,420	(631)	1,127	1,969	319	2,288	1,659	(629)
ICT (incl. Software)	90	311	(221)	48	432	15	447	353	(94)
Motor Vehicles	6	13	(6)	2	20	1	22	20	(2)
Other Equipment	7	17	(9)	4	23	3	26	18	(8)
Contingency / Pooled Funds	6	33	(27)	2	49	2	51	30	(21)
Total	**1,061**	**2,129**	**(1,068)**	**1,253**	**2,920**	**351**	**3,271**	**2,456**	**(816)**
National Capex Pool					130	(114)	16	60	44
National Contingency budget					50		50	50	
Total	**1,061**	**2,129**	**(1,068)**	**1,253**	**3,100**	**238**	**3,337**	**2,566**	**(771)**

2023/24 Capex Report YTD Marc-24 (cont'd)

Table 2: Capex Report (by region / district) for the nine months ended 31 March 2024:

Amounts in $ Millions

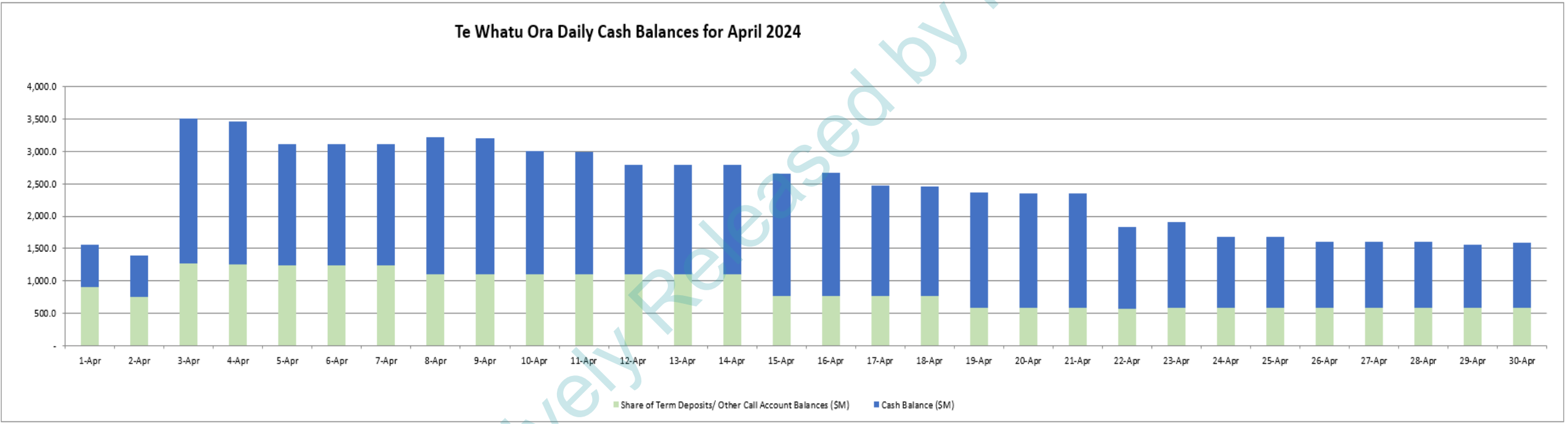
Region	District	YTD Actual	YTD Budget	Variance (YTD Actual to Budget)	Purchase Order Commitments	Full Year Forecast 2023/24 -
Northern	Te Tai Tokerau	34.80	45.29	(10.49)	21.02	55.07
	Waitematā	153.59	223.14	(69.55)	151.82	277.50
	Te Toka Tumai Auckland	150.62	304.70	(154.08)	180.03	323.50
	Counties Manukau	90.46	178.44	(87.98)	222.21	195.18
Sub-Total		**429.47**	**751.57**	**(322.11)**	**575.08**	**851.24**
Te Manawa Taki	Waikato	47.38	147.89	(100.50)	142.40	191.42
	Hauora a Toi Bay of Plenty	18.90	48.98	(30.08)	18.10	55.50
	Lakes	13.22	50.39	(37.18)	5.36	64.71
	Tairawhiti	2.63	16.43	(13.80)		3.34
	Taranaki	102.58	152.28	(49.70)	144.60	177.21
Sub-Total		**184.71**	**415.97**	**(231.27)**	**310.46**	**492.19**
Central	Te Matau a Maui Hawkes bay	16.60	33.97	(17.38)	12.03	42.72
	Whanganui	6.74	17.88	(11.13)	2.43	13.98
	Te Pae Hauora o Ruahine o Tararua	41.55	140.77	(99.21)	56.04	108.01
	Wairarapa	0.45	7.08	(6.62)	0.08	8.69
	Hutt Valley	15.79	35.52	(19.73)	5.29	44.97
	Capital & Coast	53.39	69.49	(16.10)	2.17	109.08
	Central Region TAS					
Sub-Total		**134.52**	**304.70**	**(170.17)**	**78.03**	**327.45**
Te Waipounamu	Nelson Marlborough	12.17	42.91	(30.74)	14.26	63.12
	Te Tai o Poutini West Coast	4.19	9.88	(5.68)	1.64	8.40
	Waitaha Canterbury	54.72	83.27	(28.54)	32.20	85.19
	South Canterbury	3.40	8.09	(4.69)	1.92	15.79
	Southern	19.28	50.03	(30.75)	13.94	35.93
	Brackenridge Estate Ltd		0.59	(0.59)		
	Canterbury Linen Services		0.27	(0.27)		
Sub-Total		**93.76**	**195.03**	**(101.27)**	**63.96**	**208.43**
National	National Data & Digital	85.18	303.73	(218.55)	46.04	344.53
	IIG	132.87	157.77	(24.90)	179.46	228.97
Sub-Total		**218.05**	**461.49**	**(243.45)**	**225.51**	**573.50**
Total		**1,060.51**	**2,128.77**	**(1,068.26)**	**1,253.04**	**2,452.81**
National Capex Pool						60.00
National Contingency budget						50.00
Total		**1,060.51**	**2,128.77**	**(1,068.26)**	**1,253.04**	**2,562.81**

Cash Balances 30 April 2024

Te Whatu Ora Daily Cash Balances for April 2024

Balance at 30/04/2024 $1590m

Date	1-Apr	2-Apr	3-Apr	4-Apr	5-Apr	6-Apr	7-Apr	8-Apr	9-Apr	10-Apr	11-Apr	12-Apr	13-Apr	14-Apr	15-Apr	16-Apr	17-Apr	18-Apr	19-Apr	20-Apr	21-Apr	22-Apr	23-Apr	24-Apr	25-Apr	26-Apr	27-Apr	28-Apr	29-Apr	30-Apr
Cash Balance ($M)	666.9	641.6	2,235.0	2,210.6	1,867.6	1,867.7	1,867.7	2,120.8	2,100.3	1,900.6	1,891.5	1,692.6	1,692.9	1,692.9	1,893.8	1,899.8	1,713.0	1,689.3	1,781.7	1,759.3	1,759.4	1,259.1	1,328.3	1,102.8	1,102.7	1,025.5	1,025.6	1,025.7	979.3	1,008.9
Share of Term Deposits/ Other Call Account Balances ($M)	896.9	752.4	1,273.5	1,249.9	1,240.6	1,240.6	1,240.6	1,102.1	1,101.9	1,098.4	1,098.9	1,094.8	1,094.8	1,094.8	765.4	766.0	762.5	762.5	584.8	584.4	584.4	573.3	586.7	582.3	582.3	580.7	580.7	580.7	579.8	581.1
Te Whatu Ora Total Treasury Balance ($M)	1,563.8	1,394.0	3,508.6	3,460.5	3,108.1	3,108.2	3,108.3	3,222.9	3,202.1	2,999.0	2,990.4	2,787.4	2,787.6	2,787.7	2,659.2	2,665.8	2,475.5	2,451.9	2,366.5	2,343.7	2,343.8	1,832.4	1,915.0	1,685.1	1,684.9	1,606.3	1,606.3	1,606.4	1,559.2	1,590.0



Te Aka Whai Ora has now been amalgamated into Te Whatu Ora and the Te Aka Whai Ora cash balance at 30 April 2024 is $143.6m, thus bringing the total cash balance for Te Whatu Ora to $1.734 billion.

June 2024 Documents

Date	Title	Decision on release
1 June 2024	Letter, Minister Reti, *Delivering timely access to quality health care*	Released in full.
5 June 2024	Document – *24/25 Internal Budget Finalisation*	Released in full.
5 June 2024	HNZ00046125-Briefing – *Performance Reporting*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1, 2, 3, 4 and 5** – Released in full.
7 June 2024	HNZ00049329-Aide Mémoire – *Update – Cost Control Measures*	Some information withheld under the following sections of the Act: • Section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. • Section 9(2)(j) to enable Health NZ to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). **Appendix 1** – some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons.
16 June 2024	Document – *Financial Position: May result update*	Released in full.
26 June 2024	HNZ00052888-Aide Mémoire – *Impacts of Increased Employed Nursing Workforce*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons.

27 June 2024	HNZ00053848- Aide Mémoire – *Quarter 3 Performance Report*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – withheld under section 18(d) as is publicly available – Quarterly Performance Report - 1 January to 31 March 2024 – Health New Zealand | Te Whatu Ora **Appendices 2 and 4** – Withheld in full as out of scope. Document does not contain any financial information. **Appendix 3** – released as not part of the publicly released Quarterly Report. Some information withheld as it is out of scope and is not directly related to financial information.

Hon Dr Shane Reti

Minister of Health
Minister for Pacific Peoples

01 JUN 2024

Professor Lester Levy
Board Chair
Health New Zealand | Te Whatu Ora

Dear Lester

Delivering timely access to quality health care

As Minister of Health and your responsible Minister, this letter sets out my expectations for Health New Zealand | Te Whatu Ora (Health NZ) for the remainder of 2023/24 and for 2024/25.

This letter also sets out the expectations Hon Matt Doocey, Minister for Mental Health has for mental health and addiction services for Health NZ, which have the same standing as my expectations. We, along with my Associate Minister of Health colleagues, are anticipating your support and focus on delivering to my expectations as outlined.

Our Coalition Government is committed to ensuring that the wider public service and the health system works well for all New Zealanders. Your continued focus on delivering your statutory objectives will be crucial, and this needs to be undertaken in an efficient and fiscally responsible manner. The work carried out by Health NZ plays a critical role in achieving our collective goals for a healthier and more resilient society.

I am deeply concerned that the health system is in crisis, despite the ongoing commitment from frontline clinicians. Across various metrics, including access and timeliness, the system is struggling and has deteriorated over recent years. I expect the Board of Health NZ will provide strong leadership for a programme of change to achieve timely access to quality care and that necessary short-term improvements are part of a longer-term plan that stages the health system towards a sustainable future.

Our Coalition Government's priorities and health targets give you clear focus to support you to drive stronger performance and improve population outcomes. Strong governance of your entity will be essential in this environment. You must ensure that your executive leadership team are providing robust performance and decision support information to the Board. This will enable you to make the right strategic decisions, and to undertake assessment and learning activities to improve the performance of your Board members in their important role. I want to affirm that my intent in appointing Ken Whelan as Crown observer to your Board last year is to work with you and other members to ensure Health NZ delivers the outcomes expected by the Coalition Government.

You must focus on improving productivity to free up resources to support ongoing improvement to make progress in our areas of focus and to deliver my expectations set out in this letter. I expect you to cease programmes where the evidence shows they are not delivering effective services for patients as options to free up resources. I also expect to see

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measurable progress by June 2025 with key activity confirmed in your planning documents and delivered within budget.

My priorities

My overarching vision for health is timely access to quality health care.

The Government Policy Statement on Health (GPS) 2024 - 2027 will be the primary direction setting vehicle for our health system and sets out more detail for my priorities for the next three years. I intend to publish the GPS in June 2024, and it will build on the initial expectations set out in this letter. The New Zealand Health Plan (NZHP) needs to actively respond to the priorities in the GPS.

The health system will focus on improvements in three priority areas relating to health services:

- Access: ensuring every person, regardless of where they live in New Zealand, has equitable access to the health care services they need.
- Timeliness: ensuring people can access the health care and services they need when they need it in a prompt and efficient way.
- Quality: ensuring the health care and services delivered in New Zealand are safe, appropriate, transparent, easy to navigate and continuously improving.

The health system will also focus on three priority areas to make improvements to critical enablers:

- Workforce: having a skilled and culturally capable workforce who are accessible, responsive and are used optimally to deliver safe and effective health care.
- Targets: these will focus direction, resources and accountability
- Infrastructure: ensuring the health system has the digital and physical infrastructure it needs to meet people's needs now and into the future.

The Coalition Government is also focused on responding to the five non-communicable diseases of cancer, diabetes, respiratory disease, heart disease and poor mental health.

Addressing the five modifiable factors of smoking, alcohol consumption, poor nutrition, lack of exercise, and adverse social and environmental factors will be important to these efforts and will involve working across government.

I expect that improvements will be achieved by continuing to support, develop and strengthen our workforce and workforce models, (our people) though strong accountability processes such as targets (our policies) and through continuing to develop our supporting infrastructure and making best use of technology (the parts).

Please ensure there is a focus on improving health outcomes for Māori and other high need groups with poorer health outcomes.

The NZHP must identify tangible and measurable actions that clearly show how you will deliver improvement across my priorities and each of my focus areas by appropriately prioritising the resources available to you. Plans need to be costed to give assurance of alignment between delivery and budgets. I can only receive a final version for my approval once it has been audited by the Auditor-General. Public transparency of planning is important, and I expect that you are working to a timeframe that enables me to receive, review and approve the NZHP so it can be published in August 2024. Any risks to meeting that timeframe need to be advised to be as soon as possible.

Mental health and addiction portfolio and priorities

With the establishment of a new mental health portfolio this Government has signalled that improving mental health and addiction outcomes for New Zealanders is a priority area of focus. As Minister for Mental Health, Hon Matt Doocey has oversight of mental health and addiction-related funding within Vote Health, including making policy and priority decisions relating to the mental health and addiction ringfence expectation within the Vote.

Hon Matt Doocey has identified the following priorities for mental health, addiction and suicide prevention:

- Increase access to mental health and addiction support: New Zealanders deserve better access to timely mental health and addiction support. Health NZ will stabilise and improve access to mental health and addiction services across the continuum of care, with an increased focus on community-based supports.
- Grow the mental health and addiction workforce: One of the key barriers to improving mental health and addiction services is workforce challenges. Health NZ must address the mental health and addiction workforce vacancies across the system, including through domestic training and upskilling, attracting offshore talent, and retaining our current workforce.
- Strengthen focus on prevention and early intervention: The health system should ensure people have access to timely treatment for mental health and addiction challenges, but we must also promote mental wellbeing, prevent issues from escalating and intervene early in the life course and in the course of distress. Health NZ will support mental health literacy, wellbeing promotion and suicide prevention efforts and will work with non-government partners to provide better early intervention services, including telehealth services, that will reduce the pressure on specialist services.
- Improve the effectiveness of mental health and addiction support: Along with timely access to services, New Zealanders deserve effective mental health and addiction support. Health NZ will work to enhance the effectiveness of mental health and addiction services across the continuum of care.

Health targets

I recently announced my five health targets for the system that will be in place from 1 July 2024. The aim of the health targets is to lift performance across my priority areas, provide a focus for effort and resource and to support all parts of the system to move together to achieve our goals.

To reflect the important role of health targets in driving performance I have asked that health targets be referenced in all your accountability documents, your Statement of Performance Expectations, Statement of Intent, Estimates measures and the NZHP. The health targets will be embedded within a strategic monitoring framework for the system that will include other monitoring such as GPS measures and Whakamaua - Māori Health Action Plan measures.

Specifically, I ask you to:

- Provide a clear implementation and delivery plan for each target, including mental health targets to me and the Ministry of Health | Manatū Hauora (the Ministry) so that it can be reviewed and formally endorsed by me and the Minister for Mental Health. I understand that draft versions have been prepared, but as incoming Board Chair, I'd like you to also

review these and work with the Ministry and me to iterate these as necessary so they can be finalised alongside the NZHP.

- Include measurable quarterly activities to meet the annual milestones I have identified. The activities must be informed by strong clinical engagement, be evidenced-based, fully costed and deliverable within budgets.
- Ensure the NZHP includes balancing and supporting measures for the health targets to monitor for any unintended consequences and provide contextual information to support analysis of progress.
- Attend and support attendance by Health NZ health target leaders (including clinical leaders) at formal quarterly engagements with me that have a specific focus on the targets programme.
- Provide clear leadership in situations where activities are off track or there is a need for dedicated recovery planning.

The longer-term goals and milestones for 2024/25 I expect you to deliver will be set in the GPS following confirmation of Budget 24. I look forward to working with you to ensure that those annual milestones balance achievability and ambition for improvement to health services.

I expect that you will work with the Ministry to confirm establishment processes for the health targets in the period to 30 June 2024 to support a smooth implementation from 1 July 2024. I require performance updates to be provided quarterly from that point.

Supporting and balancing measures are important to ensure equitable improvements in the target areas. I also expect you seek the advice of the Health Quality and Safety Commission | Te Tāhū Hauora (HQSC), as you are developing your approach particularly when identifying supporting and balancing measures.

Mental health and addiction targets

Hon Matt Doocey, Minister for Mental Health, has set five targets for mental health and addiction which will be communicated shortly. These targets should be embedded within and implemented as part of my wider health targets regime in line with the expectations I have set out for the health targets.

This includes references in key accountability documents, establishment activities and implementation planning, clinical leadership and reporting and engagement. Mental health and addiction, including targets and supporting and balancing measures, will also need to be embedded within the comprehensive framework of accountability arrangements for monitoring the health system.

Financial management expectations

We are operating in a difficult fiscal and economic environment locally and internationally and we expect these conditions to be present in the longer term. The pressure to increase spending on publicly funded healthcare is expected to continue over time due to a range of price and volume driven cost drivers.

We note that a continued focus on savings targets and plans will be necessary to deliver commitments within budget, and with an overall priority on financial sustainability. The upcoming GPS which will set out the more specific expectations for achieving financial sustainability in the short to medium term.

I expect your prioritisation to be guided by my priorities, evidence-based and investments to be underpinned by analysis of effectiveness, value for money and affordability.

Over the past two years you have made important year on year improvements on your financial reporting. I acknowledge the challenges posed by merging the reporting of 20 district health boards. However, to aid transparency and enable the Ministry to monitor Health NZ on my behalf, I expect to continue to see improvements in financial performance reporting by quarter 1 2024/25 including, but not limited to:

- The extension of performance reporting to further output classes.
- Strengthening the granularity of reporting of spend within the mental health and addiction ringfence.
- Stronger links between financial and non-financial performance commentaries (e.g., the inclusion of Hospital & Specialist Services production volume information and efficiency/productivity metrics as part of standard monthly Board performance reporting to a regional level) and greater visibility of financial forecasts and quantification of financial risks.
- Delivery on commitments within budget whilst achieving break-even position.

Noting the current financial performance of Health NZ, I want to reconfirm the expectation from me and the Minister of Finance that you are ensuring that Hospital and Specialist Services costs are well understood and controlled, and that your planning will enable appropriate funding uplifts to be contracted with the commissioned sector. Your regular financial reporting to me should clearly show your delivery against budget at an output class level so I can be assured that funding is being used in the anticipated service areas, and not to smooth unmanaged cost escalations in one area or another.

Infrastructure

I want you to ensure that Health NZ proceeds with a strong focus on the delivery of all infrastructure projects previously prioritised or approved. If there are reasons why any of these projects cannot be progressed, joint approval of myself and the Minister of Finance will be required. You must prioritise setting clear milestones and timelines for each project.

I also expect you to take responsibility for the performance of your infrastructure portfolio to identify and mitigate risks as the projects proceed to ensure that the expected budget and timeframes are met. Please ensure the delivery of current infrastructure projects is within your existing capital budgets, including self-funding and the Health Capital Envelope.

I expect you to fully implement your Infrastructure Operating Model to ensure you have the right structures in place to support the improvements in investment and asset management.

This includes improving the quality, accuracy, and timeliness of your investment reporting and engaging with the Ministry and other monitoring agencies through the further development of the Investment Plan and Asset Management Strategy, and to report on progress.

Integration of the Māori Health Authority | Te Aka Whai Ora into Health NZ

The enactment of the Pae Ora (Disestablishment of Māori Health Authority) Amendment Bill shifts the operational functions for Māori health from the Māori Health Authority | Te Aka Whai Ora to Health NZ, taking formal effect on 1 July 2024, but with earlier transfer of operational functions and staff having already occurred from 31 March 2024.

I expect Health NZ to have a clear structural configuration and well communicated ways of working in place so that the staff and work programme of the Māori Health Services directorate are well integrated and can appropriately influence across the organisation.

Consolidation of operational functions within Health NZ, including responsibility of design and delivery of the health system for the whole population, will ensure the full range of perspectives can be considered in developing effective services that respond to the needs of the people who use them. Your new role in supporting iwi-Māori Partnership Boards (IMPBs) is a critical enabler to ensure the system is responsive to Māori health needs and aspirations. I expect to see clear commitment from Health NZ in terms of the support and resourcing for IMPBs to meet their cross-sector functional requirements.

I expect Health NZ to find opportunities for communities, including whānau, hapū, and iwi, to contribute to the design of services and activities that work for them to promote and protect their health.

I also expect that reporting from Health NZ to me on strategic and operational Māori health priorities is similar to the reporting I have previously been receiving from the Māori Health Authority | Te Aka Whai Ora. This reporting should assist your organisation with decision making and operational imperatives. Your regular performance reporting should clearly identify how planning, funding, commissioning and delivery of services that have transferred from the Māori Health Authority | Te Aka Whai Ora to the Māori Health Services directorate has transitioned, including how any risks are being managed.

The Hauora Māori Advisory Committee will have a greater monitoring role and I expect appropriate collaboration and information sharing between Health NZ, the Ministry and this Committee.

Resetting direction: localities, the delivery of primary and community care, and iwi-Māori Partnership Boards

A refresh in direction for localities and the delivery of wider primary and community care is needed. The provisions to determine localities and make locality plans in the Pae Ora (Healthy Futures) Act 2022 have been extended by five years through the legislative process to disestablish the Māori Health Authority | Te Aka Whai Ora. This will allow for time to determine the appropriate future model for primary and community care and how communities are involved in the design and delivery of services.

I have asked the Ministry to lead development of a policy programme which sets out a refreshed model for primary and community care. This will be complemented by work to understand current capability and capacity of IMPBs and determine a development pathway to strengthen their role in the system. I expect you to work closely with the Ministry on these areas and to ensure the NZHP highlights actions to give effect to the Government's policy aims in this area. I also expect to be briefed on work you are doing to support and engage with IMPBs, as a key voice for Māori perspectives on the design and delivery of local services for Māori.

General practice and primary care are important to my objectives. Within the NZHP I expect to see primary care workforce identified as an area of focus, supported by a roadmap of activities that intend to make progress in addressing recruitment, retention and remuneration challenges.

Accountability

After the two years of the start-up phase of your organisation, we are now entering a phase where business processes must be firmly established. As your organisation continues to mature, I expect Health NZ to focus on fully embedding the design of key functions, including clinical governance and leadership arrangements and your internal monitoring and assurance processes and frameworks.

I have already sought from Health NZ, and anticipate receiving shortly:

- Your internal performance framework, following endorsement by the Ministry and HQSC. This framework should go beyond just measurement and reporting, and include information on what internal management levers, escalation and intervention steps are in place and who is accountable for actioning recovery actions.
- A documented operating model, that outlines how parts of the organisation work and where accountability lies.
- A risk identification and management framework.

As incoming Board Chair I would like you to review and engage with me on these key organisational documents. I want to give you the opportunity to confirm your support for these, or to provide supplementary advice on these over the next six weeks. My expectation is that these will be finalised and implemented as soon as possible. You will note in the upcoming GPS that there is a dedicated measure to support this, with a timeframe for the end of 2024. This timeframe allows not only for these to be developed, but importantly, to be embedded into day-to-day practice.

The Ministry has responsibility as the steward of the health system, and for monitoring financial and non-financial performance. I expect you to continue to develop a good working relationship and provide the Ministry with timely access to information they request so they can fulfil their strategic legislative role alongside the operational role of Health NZ.

This includes my previously stated expectation to the former Board Chair that all Health NZ briefings and aides-memoires sent to me and my office, are also copied to the Ministry. Additionally, any advice provided which has financial, policy or system settings implications should be shared with the Ministry in advance of them coming to me. This will enable Health NZ to fully understand the perspective of the Ministry as my agent and to ensure that I am supported with rounded advice.

I have also appointed the Health Workforce and System Efficiencies Committee to provide advice to me on our health workforce and to consider system efficiency and patient flow. My appointment of this Committee should reinforce to you my priority in these areas and my need to see pace of change. I ask that you enable your team to engage openly with the Committee and to provide them full access to information they seek from you.

We are needing to do things differently to optimise our health resources and improve sustainability. The role of health research and intelligence should inform your operational decision-making and underpin your organisation's innovation agenda, working to mature our ability to operate effectively as a learning system.

Data integrity is important, and my expectation is that data will be timely, validated and of high fidelity. The Ministry and the Treasury need access to comprehensive and timely data. I remain concerned about the accuracy and timeliness of the health administrative datasets and in particular the National Collections. I appreciate the need to balance using time

sensitive operational information with your responsibility to collate data within National Collections for the wider system. However, accurate administrative data is important especially given the reporting requirements for the Government's targets outlined in this letter. I believe further priority needs to be given to maintain integrity in the Crown's data assets and that there is significant risk in this area.

I expect your support and governance to ensure this asset is maintained and prioritised, and I expect the cross-agency Data and Analytics Council will function as an oversight group for National Collections and any wider data issues.

Please ensure any actions from the interim NZHP 2022/24 that are not completed by 30 June 2024 continue to be reported through your 2024/25 quarterly reporting until they are completed.

I expect Health NZ to regularly present performance updates to the public at a national as well as a regional and district level to improve public accountability and visibility.

I also expect to see your continued progress on the code of Consumer Expectations, and for all regions and districts of Health NZ, as well as the national organisation separately, to self-assess their compliance using the tools developed by the HQSC. The NZHP must state expectations for the purpose of supporting consumer and whānau engagement in the health sector and for enabling consumer and whānau voices to be heard.

Lastly, I confirm the removal of formal status of Health System Indicators as being the leading Government health indicators. However, I expect the measures covered by the Health System Indicators to continue to be monitored as part of the wider framework for health system performance.

I trust you will need a few weeks to work through my expectations with your Board. My office will be in touch to set up a time for us to meet in late June so you can talk me through your response, organisational commitments and any questions you may have for me.

Thank you for your ongoing work and you support of me in my role as the Minister of Health and Hon Matt Doocey as the Minister for Mental Health. We look forward to meeting with you soon as we discuss progress. Together with our Associate Minister of Health colleagues we look forward to engaging on your plan for delivery of our targets and priorities.

Yours sincerely

Hon Dr Shane Reti
Minister of Health

Hon Matt Doocey
Minister for Mental Health

24/25 Internal Budget Finalisation

June 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

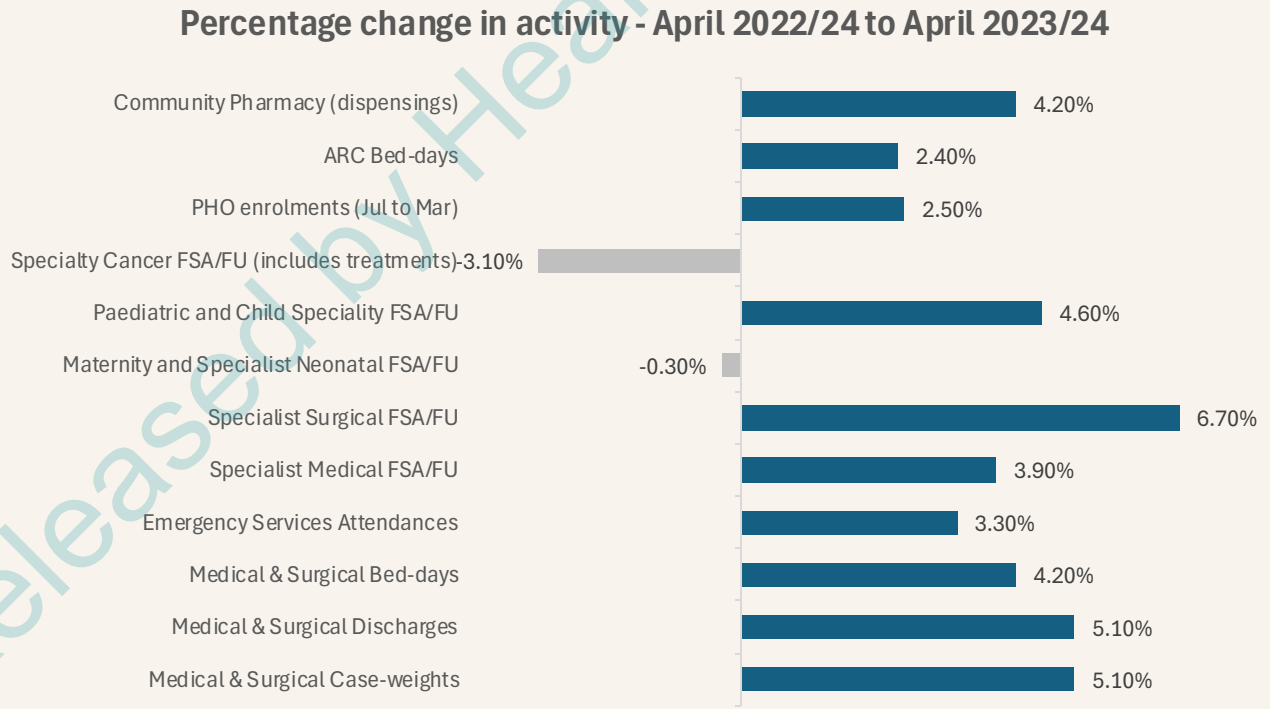
Key messages

Roadmap to financial sustainability

- We have an underlying structural deficit within HSS workforce that requires whole of system support to extract value and help manage and will take time to recover to a more financially sustainable footing.
- A pathway way back to financial sustainability is a central focus Health New Zealand that sustains HSS delivery and advances on shifting care to sustainable settings
- We need to live up to expectations of scrutiny and measurable value add to healthcare delivery and impact on outcomes

Service volumes are improving …

- The higher costs we are seeing are partly explained by higher service volumes.
- Our latest comparison indicates a 5% rise in medical and surgical case weights (July-April) compared to the same time last year. This is greater than twice the rate of estimated population growth.
- In part this can be attributed to higher acute admissions (from an increase in ED attendance, estimated to be 3.3% greater over the same period).
- However, the key question remains how much is attributable to the overspend and how much is because of improved productivity.
- Impact on Health Target delivery requires assessment.
- Need greater visibility of funded sector activity



Data sources: NMDS (inpatient activity) and NNPAC (outpatient activity). For Medical and Surgical inpatient activity, this includes NMDS casemix included specialist medical and specialist surgical services based on purchase unit code mapping (note excludes maternity and specialist neonatal, paediatric and child, emergency, and specialist cancer services) and excluding non-public system provider agencies. April 2024 has not been fully coded, and as a result has been forecasted based on simple forecast based on number of months in year.

Nevertheless, we need to find a pathway back to a more financially sustainable footing…

Pathway back to financial sustainable foot includes short and medium-term actions:

To end Dec 24 (6mnths)	24/25 - 25/26 (1yr)	2024/25-2026/27 (2yrs)

• Continue the immediate cost control measures:
  • Reduce run rate of HSS workforce costs (~$90m)
  • Recruitment pause and lifting of delegations to a senior level (~$1m/month)
  • Control costs –non-urgent project deferrals (~$40m)
• Structural changes to implement regional accountability/control
	• Realign cost centres with Output Classes, Appropriations and more specific attribution of overhead cost to activity
	• Getting a better grip on our labour cost assumptions (planning assumptions for MECA settlements for 2024/25)
	• Execute business improvement and savings plans agreed through setting of 2024/25 budgets (improved approach from 2023/24)
	• Productivity improvements: clinical supplies and vendor optimisation (HSS)
	• Baseline Reviews (diabetes, D&D)
		• Productivity improvements (HSS –targeting a reduction in run-rate of 3-4%):
		  • Optimise organisation structures, including change workforce ratio settings to be more focused on output
		  • Optimisation of hospital performance
		• Maximise revenue opportunities
		• Drive down cost structures and recommissioning of services

Here are three illustrative scenarios that show high-level variations in 2024/25 Budget and their outcomes

Key assumptions	Scenario 1 – savings target met, planning parameter assumptions on growth & wage -> low volume growth / balanced budget, toss up if health target milestones are reached, high fiscal risk	Scenario 2 – no savings target met, high growth in wages and FTE, high sector growth -> high volume growth/likely big deficit, longer trajectory to return to financial sustainable position, achieve health target milestones	Scenario 3 – no savings target met, high wage growth (with productivity guarantees), low FTE growth, -> moderate volume growth/likely deficit, achieve health target milestones
Starting financial position for 2024/25	Savings target met - $583m surplus	Significant continued deterioration – $237million surplus	Some continued deterioration – $317million surplus
Plan to address structural deficit	2-3 year plan in place (see previous slide)	2-3 year plan in place (see previous slide)	2-3 year plan in place (see previous slide)
FTE Growth			
• *Medical*	2.30%	3.30%	2%
• *Nursing*	<1% (critical shortages and midwifery only) – reduced from proportion in B24 submission	3.70%	Same as scenario 1
• *Allied Health*	2.30%	3.30%	2%
• *Support Personnel*	3.52%	3.30%	2%
• *Management & Admin Personnel*	-3.88%	0%	-4%
Wage Growth (unsettled MECAs)			
• *Medical*	2.30%	5%	Same as scenario 2
• *Nursing*	2.20%	4%	Same as scenario 2
• *Allied Health*	2.30%	5%	Same as scenario 2
• *Support Personnel*	1.84%	2%	Same as scenario 2
• *Management & Admin*	2.84%	3%	Same as scenario 2
Funded Sector			
• *Price uplift*	2.84%	5%	Same as scenario 1
• *Volume Uplift*	<1%	1%	Same as scenario 1
Funding allocation topslice (ie savings target)			
• *HSS (including clinical supplies)*	Around $600m	Lower than scenario 1	Same as scenario 1
• *Commissioning*	$90m	Lower than scenario 1	Same as scenario 1
• *Other delivery*	$25m	Lower than scenario 1	Same as scenario 1
• *Enabling Functions*	Between $50-$80m	Same as scenario 1	Same as scenario 1
Depreciation	$82m	Same as scenario 1	Reduce depreciation by not proceeding with major builds in first half of 2024/25.

Expenditure budgets – Scenario 1

- Delivery Function expenditures are budgeted at $25.6B in 2024/25, and Enabling Functions $2.3B, reflecting commitments to prioritise resources to the frontline
  - Budget 2024 revenue allocations to Functions are based on 'Planning parameter' assumptions (as outlined in the Budget 2024 cost-pressure submission) conservative assumptions for cost pressure funding, which has subsequently landed more favourably - allowing for a small surplus of $110m. This surplus is within the H&SS appropriation
  - Material savings targets are in place to achieve a balanced budget, with significant savings required within the H&SS appropriation – further decisions required, and embedding of plans
  - Low volume growth expected, only meeting of milestones for health targets
  - High risks in HSS appropriation remain for delivery of savings target in HSS function, as well as maintaining FTE growth and wage growth within planning parameters.

Delivery Functions $Millions	2023/24 Budget	Movements	2024/25 Draft Budget
Commissioning: Primary & Community	9,000	(332)	9,333
COVID-19	129	71	58
Hauora Maori	0	(759)	759
Hospital & Specialist Services	14,177	(490)	14,667
Māori Health	41	13	28
National Public Health Service	458	16	442
Pacific Health	54	(155)	210
Service Improvement & Innovation	127	6	120
	23,987	**(1,630)**	**25,617**

Enabling Functions $Millions	2023/24 Budget	Movements	2024/25 Draft Budget
Clinical Leadership	0	(5)	5
Data & Digital	891	126	765
Finance	326	72	254
Infrastructure & Investment	624	(285)	909
Internal Audit & Assurance	14	2	12
Office of the CE & Governance	70	36	34
People & Communication	368	71	297
Trusts & Special Funds	8	7	1
Transformation	0	(19)	19
Other Shared Functions	22	(3)	25
	2,321	**1**	**2,320**

Briefing

Performance Reporting

Date due:	5 June 2024	**Priority:**	Routine
Security classification:	In Confidence	**Reference:**	HNZ00046125
To:	Hon Dr Shane Reti, Minister of Health		
From:	Margie Apa, Chief Executive		
Copy to:	N/A		

Minister:	**Action sought:**	**Action required by:**
Hon Dr Shane Reti, Minister of Health	Provide feedback/comment on this briefing.	14 June 2024

Contact for discussion			
Name	**Position**	**Phone**	**1st contact**
Peter Alsop	Chief of Staff	s 9(2)(a)	x
Lisa Williams	Head of Strategy, Planning and Performance	s 9(2)(a)	

The following departments/agencies have been consulted:
Ministry of Health

Attachments
Appendix 1: Performance Management and Monitoring Overview
Appendix 2: Draft Balanced scorecards
Appendix 3: Health NZ monitoring landscape
Appendix 4: Timeline for publishing Quarterly Performance Reports (including health targets)
Appendix 5: Draft schedule for health targets

Health New Zealand
Te Whatu Ora

Minister's office to complete	☐ Approved	☐ Declined
	☐ Noted	☐ Needs change
	☐ Seen	☐ Overtaken by Events
	☐ See Minister's Comments	☐ Withdrawn

Comments:

Purpose

1. This briefing provides you with an overview of Health NZ's approach to:
    - Performance framework and internal monitoring, including leadership & accountability arrangements, escalation and performance levers;
    - Structures and processes in place to enable us to achieve the health targets;
    - Public reporting processes (including for health targets);
    - Quality assurance processes from data collection through to reporting.

Recommendations

Health NZ recommends that you:

Provide feedback on the contents of this briefing	**Yes / No**

Hon Dr Shane Reti,
Minister of Health

Date:

Margie Apa
Chief Executive
Health New Zealand

Date: 5/6/2024

Background

2. Health NZ aims to establish a performance framework that shows alignment to, and measures the delivery of, the Government's priorities for health and discharges our obligations as set out in our establishment legislation and accountabilities.

3. Measures are articulated in our accountability documents (Statement of Intent 2024-28, Statement of Performance Expectations 2024/25 and New Zealand Health Plan 2024-2027) and aim to tell how we are using publicly funded resources to give effect to the Government's objectives to improve the health and wellbeing of New Zealanders. This includes integration of our financial and non-financial results. Our draft accountability documents were provided to you at the end of April 2024 (HNZ00043553 refers). It is also important that this framework accommodates reporting on clinical risk and safety as part of performance assurance.

4. As with most government agencies, and in accordance with best practice guidelines, our entity performance measures (see Graphic One on the next page) are grouped under four categories.

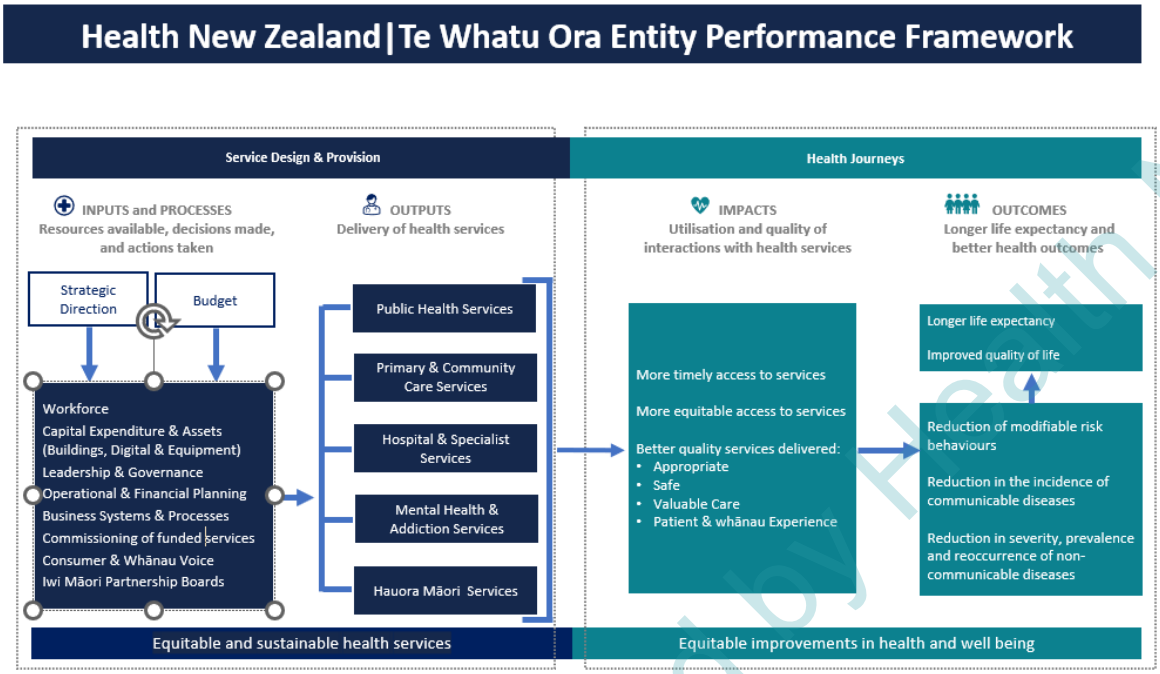
    a. **Input measures** are indicators of the nature and scale of investment used to create goods and services. This includes the number, skills, capacity and capability of workforce, and the business systems and process used to support the delivery of care. Examples are the number of health professionals, their skills, infrastructure – physical and technology – investment and the impact they have on how care is delivered.

    b. **Output measures** are indicators of the outputs that are produced by the sum capacity and capability of our workforce and infrastructure. The production of healthcare includes for example, the amount of health services available or expanded because of improvements in the clinical digital and physical infrastructure. These are the health services that New Zealanders interact with and can be measured by volume of contact and/or scope of coverage.

    c. **Impact measures** are indicators of the effects or influence our actions have on health needs. This includes measures of utilisation, timeliness of services as well as the quality of care provided. These measures provide an early indication that service design decisions were appropriate to meet the health needs of New Zealanders. When compared with outputs, these can also indicate where demand has exceeded available capacity and/or capability to produce.

    d. **Outcome measures** are indicators of the health consequences brought about from the range of interventions deployed. This may include prevalence and severity of disease and behavioural changes. These measures provide evidence of whether improvements are having a positive impact on the health of New Zealanders.

Graphic One: Health NZ Entity Performance Framework



Discussion

Our approach to performance management and monitoring aims to cascade accountabilities and measures up and down the organisation

5. Our performance framework, including results for measures and health targets, is designed to inform management decisions at the national, regional and local levels on progress, and inform improvement actions to effect change to address any challenges. It aims to connect our performance to multiple layers of stakeholders including but not limited to Ministers and central agencies, the public, the workforce and providers who are contributing to delivery such as those in the funded sector.

6. Measures in our statutory accountability documents cascade into operational management reporting, with additional operational performance measures and information included in business unit dashboards (See Appendix 1).

7. Our Board and ELT have recently endorsed an approach to produce monthly balanced scorecards, which will be used at varying levels of the organisation to ensure internal oversight and management of core activities and services (see Appendix 2). Development of a Board-level balanced scorecard is being trialed in May and other scorecards will likely be implemented from July. A scorecard was offered to the Minister of Finance and yourself following a meeting with the Board on 22 March 2024. These balanced scorecards aim to integrate four quadrants of measures that can be reported monthly in a one-page dashboard: Activity/outputs, Quality/outcomes, Finance and Workforce, and create a high-level snapshot of operational performance.

8. In alignment with our performance management approach (Appendix 1), measures from within our entity performance framework will cascade into the Board and ELT scorecards, and into relevant reporting, including specific business unit scorecards (which include additional operational measures). As such, the balanced scorecards include reporting against the health targets and contributory measures towards them.

9. We are developing a process for sharing the scorecards to ensure oversight of operations. It is anticipated that each business unit will review their scorecard at their own senior leadership team meetings. Their results will then flow into the ELT scorecard and into the Board scorecard. We are still working through the level of oversight the Board and its Committees will have of relevant scorecards and results.

10. Accountability measures are reported with varying frequency (monthly, quarterly, bi-annually and annually), depending on data availability (e.g. some measures use results from annual surveys) and how amenable change is to intervention or actions.

11. Reporting on measures in our quarterly and annual reports includes accompanying narrative to explain results, including actions under way to improve performance. Our reporting uses national results and the following performance breakdowns (where possible):

    e. By four regions

    f. By area, within each region (using former district health board boundaries);

    g. By deprivation index or other demographic factors of socioeconomic status that impacts on health

    h. By high need groups including, where supported by evidence, by ethnicity: Māori; Pacific; Asian; Middle Eastern, Latin American, African; European/Other

12. The Board currently has a range of Committees to which management reports performance issues. The Health Services Committee and Finance and Audit Committees, for example, review service performance information and financial performance.

13. At the management level, the Executive Leadership Team (ELT) has a subcommittee that focuses weekly on operational performance. The Operational Performance Committee (OPC ELT) is made up of all the delivery function leads and the Chief Clinical Officer, chaired by the Director of Service Improvement and Innovation. Its purpose is to maintains oversight of operational performance, and identify and ensure execution of improvement actions that require cross organisation alignment of levers. This ensures there is clinical and executive leadership for delivery.

14. The OPC ELT reports to the full ELT on its work. The Board Health Services Committee maintains oversight of all Health NZ service delivery, reporting to the full Board of Health NZ.

15. This approach enables management and the Board to identify hot spots of non-performance nationally, regionally and locally and, where appropriate, adjust management approaches, resources or investments to address these.

16. Our reports are provided to you, the Ministry of Health, Treasury and – where relevant – other agencies with monitoring roles overseeing Health NZ (see Appendix 3).

17. Our quarterly and annual reports are published on our website to provide the public with assurance that Health NZ is performing as expected with improvements in impacts and outcomes over time. Due to the operational nature of data within the monthly report, this is not currently published.

Implementing the National Health Targets

18. We are developing Implementation Plans for each health target which will set out the actions we will undertake over the next three years to meet interim target milestones (as per the Government Policy Statement (GPS)). Finalisation of the Implementation Plans is dependent on decisions on:
    a. The interim three-year milestones for each health target (through the GPS)
    b. Budget 2024
    c. The New Zealand Health Plan 2024-27
19. High-level Implementation Plans will be provided to you within the next week for your review and feedback. Detailed Implementation Plans will be set and monitored nationally but will be delivered and managed regionally and locally (through operational performance frameworks).
20. Three working groups, reporting to the OPC ELT, are tasked with overseeing the implementation of health targets:
    - Health Targets Working Group (HTWG): This group is primarily responsible for ensuring that the five national health targets and the five mental health targets are achieved. It will report any risks and concerns with achieving the health targets, and the mitigations or actions that have been put in place to address them.
    - Equity Working Group: This group is responsible for overseeing and monitoring that the process and steps to achieve the health targets do not lead to unwarranted variation in health outcomes.
    - Information Systems Working Group: This group is responsible for leading work to improve the flow of data to enable understanding of local, regional and national performance.
    - National Clinical Leadership Group: The Chief Clinical Officer has established a national clinical leadership forum that will mature to be responsible for national oversight of quality and safety and support local clinical governance teams.
21. A Senior Responsible Owner (SRO) has been appointed to lead each health target. They are the ELT member from the functionally responsible business unit. SROs are all currently on the OPC ELT. Supported by the HTWG and their business unit, the SROs are responsible for achieving the health target and delivering on the associated implementation plan.
22. Each health target will also have a Clinical Lead who will:
    a. Monitor performance against the targets alongside the SRO;
    b. Work with regional and local leadership to ensure delivery against the Implementation Plans, including understanding and addressing variation, non-performance and unintended consequences;

c. Escalate issues to the HTWG.

23. The SRO and Clinical Lead will be available to meet with you each quarter to discuss health target results and progress on actions to achieve the target.

24. Delivering the actions and work programmes within the Implementation Plans is the responsibility of all relevant business units. For example: while Hospital and Specialist Services (HSS) is functionally responsible for the Emergency Departments (ED) target, all relevant business units are responsible for playing their part in delivering actions set out in the Implementation Plans to achieve the ED target milestones in alignment with their roles (e.g., Commissioning, Service Innovation & Improvement, Infrastructure & Investment, People & Culture).

Ensuring regional and local accountability and focus

National accountabilities

25. Accountability cascades down through functional key performance indicators (KPIs) and accountabilities. The large delivery groups i.e. Hospital & Specialist Services (HSS), Commissioning, National Public Health Services, have KPIs and/or delivery objectives that are specific to their areas and assigned to clinical and management leadership within their groups as appropriate. Some groups are at the final stages of completing their organisational structures and recruiting staff.

26. Each delivery business unit has structures in place to enable delivery of care in regions and local areas.

27. Within HSS, four Regional Directors (RDs) are ultimately accountable for the performance of hospital and specialist services within their respective regions (Northern, Te Manawa Taki, Central and Te Waipounamu) reporting into the National Director of HSS. The 18 Group Directors of Operations (GDOs) are accountable for the performance of hospital and specialist services within their local areas and report into a RD. One such accountability will include delivery against health target performance expectations/milestones.

28. Every week, the HSS Senior Leadership Team (which includes RDs) reviews national, regional and district-level performance against the metrics that will form the basis of health targets from 1 July. At this meeting, the group interrogates performance, requests further inquiry, or directs remedial action.

29. Every month, the HSS Delivery Unit holds regional performance reviews with the relevant RDs and GDOs. At this meeting, the Delivery Unit discusses performance concerns, challenges and 'bright spots' (e.g new/successful initiatives). Necessary actions are then determined. Progress against actions determined the month(s) prior are monitored, and, in certain instances, reported back to HSS Senior Leadership Team. From 1 July, delivery against health target performance expectations/milestones will be a standing item for these performance reviews.

30. The approaches above are some of the many platforms for surfacing and sharing best practice and learnings between regions and local areas.

31. National Public Health Service (NPHS) Regional Directors have responsibility for delivery (specifically immunisation) regionally and locally. Each region has clinical leads and

dedicated immunisation staff for service delivery who are supported by a national immunisation team. Nationally, there is a range of governance arrangements for immunisation, which includes the Health NZ Chief Executive and the Director-General of Health.

32. The formation of the Chief Clinical Office and national clinical leadership is in progress. One of the objectives of establishing the Chief Clinical Officer is to ensure quality and safety reporting is undertaken to monitor safety across the whole system. The Board has a Clinical Quality and Assurance Committee to whom this Office reports to and advises. This is also a national function that is maturing as reporting is standardised and quality improvement processes are in place (supported by the Service Improvement & Innovation team).

Regional Integration

33. While national accountabilities are one way of ensuring performance, effective implementation requires integration at a regional level to ensure all delivery activities are aligned and are working together for local communities. Currently, each region has a Regional Integration Team (RIT), co-chaired by Regional Directors Commissioning and a Hauora Māori Services group representative (previously Te Aka Whai Ora) to oversee delivery and implementation within the region. The RITs include regional leadership from HSS, National Public Health Service and Service Improvement and Innovation, and invites enabling functions as agenda requires. A review of these arrangements is underway.

34. Within Commissioning, Regional Wayfinders (within the RIT) will be accountable for regional delivery of health targets. The RIT Chairs meet fortnightly to discuss critical issues, as well as general performance and key programmes of work. Local Commissioning leadership roles have responsibility for managing relationships with local providers, local health and social sector including local government, and Iwi-Māori Partnership Boards in some areas. Local leaders work together across the organisation to address challenges and support oversight of health target delivery.

Processes for public reporting and quality assurance

35. We note separate briefings are being provided to Minister Doocey on data flows for the five mental health targets. The timelines for publication of health targets in the context of the data environment specified in this section are not intended to be applied to mental health target reporting as it involves other complexities that are beyond the scope of this paper.

36. Data in relation to the five health targets are currently reported within our quarterly report, and this will continue going forward.

37. Commencing after the end of quarter one 2024/25, we also intend to report against the five health targets via an interactive online dashboard, with supporting communications and media materials, in alignment with existing quarterly report timelines.

38. Rapid data sets (which include health targets) are used by local, regional and national leadership to make day-to-day management decisions (such as those mentioned in paras 28 and 29). Senior leadership teams, the OPC ELT and ELT have visibility of this data to ensure that performance is closely monitored. Information using operational data

is provided to you and the Board within weekly and monthly reports. The Board also receives regular reports from the Chief Executive. This ensures that access to information on performance is available in a timely way, whereas the available of validated data for public release may take a little longer.

39. When health targets were previously in force, the former district health boards (DHBs) used local data sets for their management monitoring and governance oversight of performance against health targets and published their own results locally. The Ministry of Health sourced information for public reporting on national results from the National Collections, extracting the data and running verification steps as to the completeness of the data (a 1-2 week process) and then publishing the results.

40. Unlike former DHBs, National Collections are now the main source of verified and quality assured data for the performance of Health NZ as a single national entity. The data flows for each health target are different and have different challenges. The impact of releasing inaccurate data in early 2023 has meant we are focused on developing robust quality assurance (QA) verification processes, so that published data is highly curated, and we can have confidence it has a high degree of accuracy.

41. Several steps are involved in the production of our quarterly reports to ensure data (including for health targets) is final and robust (using a pre-set QA process), and all relevant parties are informed and have had necessary performance monitoring discussions before information is published (see Appendix 4). These must all occur before quarterly validated results can be shared with you and published.

42. Results in our weekly and monthly reports align with quarterly results.

43. While there is a delay from the end of the quarter through to publication, real time knowledge of performance exists at all levels of Health NZ for monitoring and assurance purposes (see para 34). As the process for publication of health targets is embedded into Health NZ, we should be able to make the publication process faster over time. This will include addressing the challenges below.

Addressing challenges with data

44. National data collections are a taonga that Health NZ understands it must curate and manage well.

45. Multiple legacy systems and processes exist to feed information into National Collections which are not integrated and will take time (and resource) to shift onto common platforms and approaches. A project (the National Data Platform) is underway to address the common platform issues.

46. We are reliant on highly manual processes, with coding occurring in some hospitals and outsourced services from written paperwork. We also have a very lean workforce in hospitals undertaking coding. Our staff are under pressure in this work and so, along with wanting timely access to quality data, their wellbeing is a priority while investments to explore automation to speed up coding are being explored.

47. We have made substantial progress in implementing the recommendations from the Data Review that occurred in mid-2023, which includes undertaking business process reviews of the end-to-end steps to create, collect and report on data.

48. We are currently reviewing the end-to-end process for collecting and managing data, focusing on the health targets, with the view to understanding the investment required and developing a prioritised roadmap of the steps needed to modernise and address the challenges with accessing timely and robust national, regional and local data.

Publication practice runs for health targets

49. We have learnt a great deal through publishing our quarter two report which combined clinical performance metrics with our broader set of non-financial accountability measures, both in terms of data validation and the publication process.

50. We intend to complete two practice runs of the health targets publication process as part of our quarter three and four reports to:

    a. Ensure our processes for collation, quality assurance, approval and publication run smoothly, ironing out any problems; and

    b. Hear, learn and refine from your feedback.

51. As part of this process, visual content will be drafted and enhanced. Please note that the practice runs are not intended to be published, but we will provide you with examples of how we would propose to publish the results.

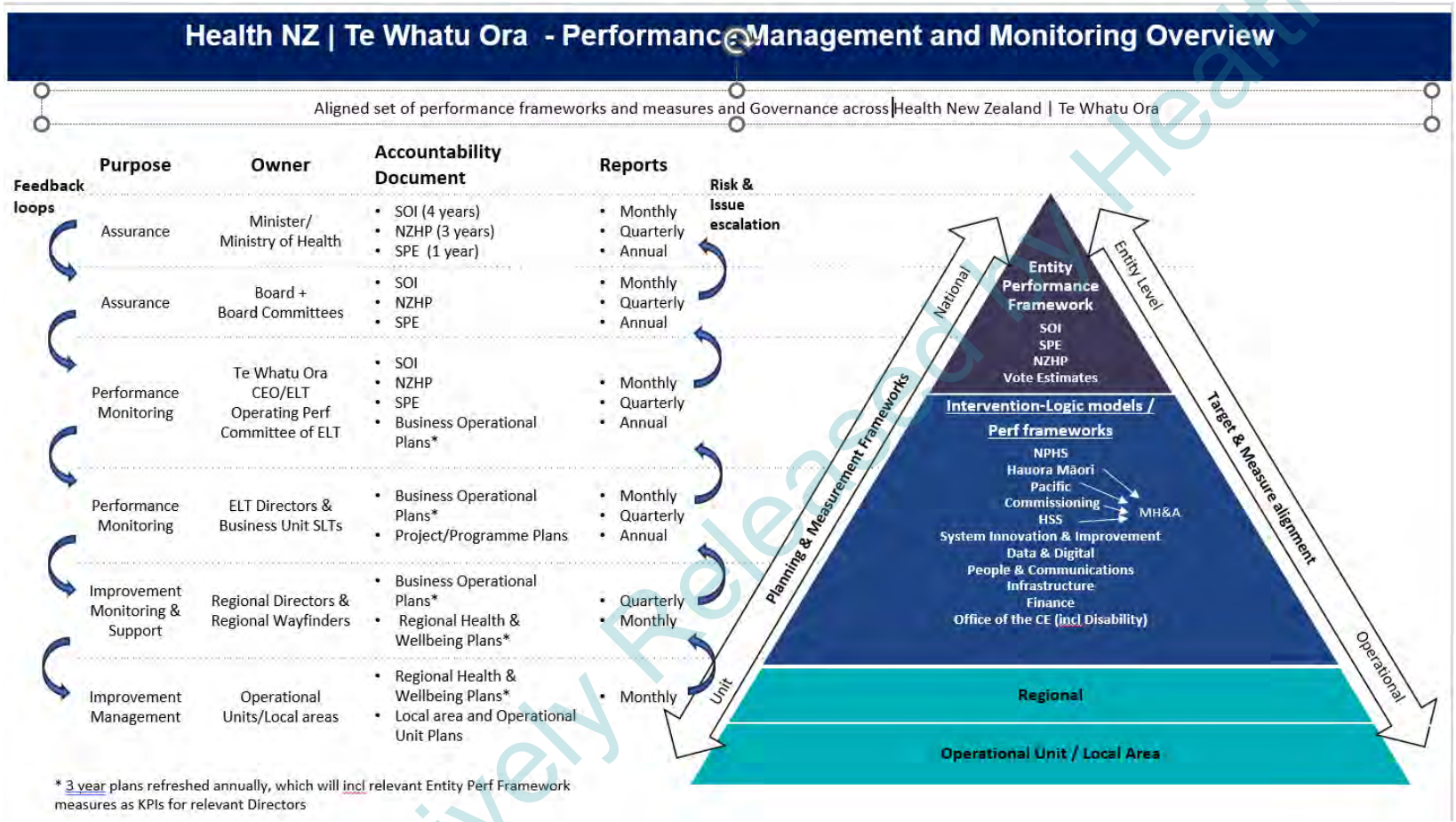
52. We anticipate that our publishing process will be established and agreed with your office, taking into account the planned publication processes for All-of-Government targets, by quarter four (i.e. October). A draft schedule is set out in Appendix 5.

Next Steps

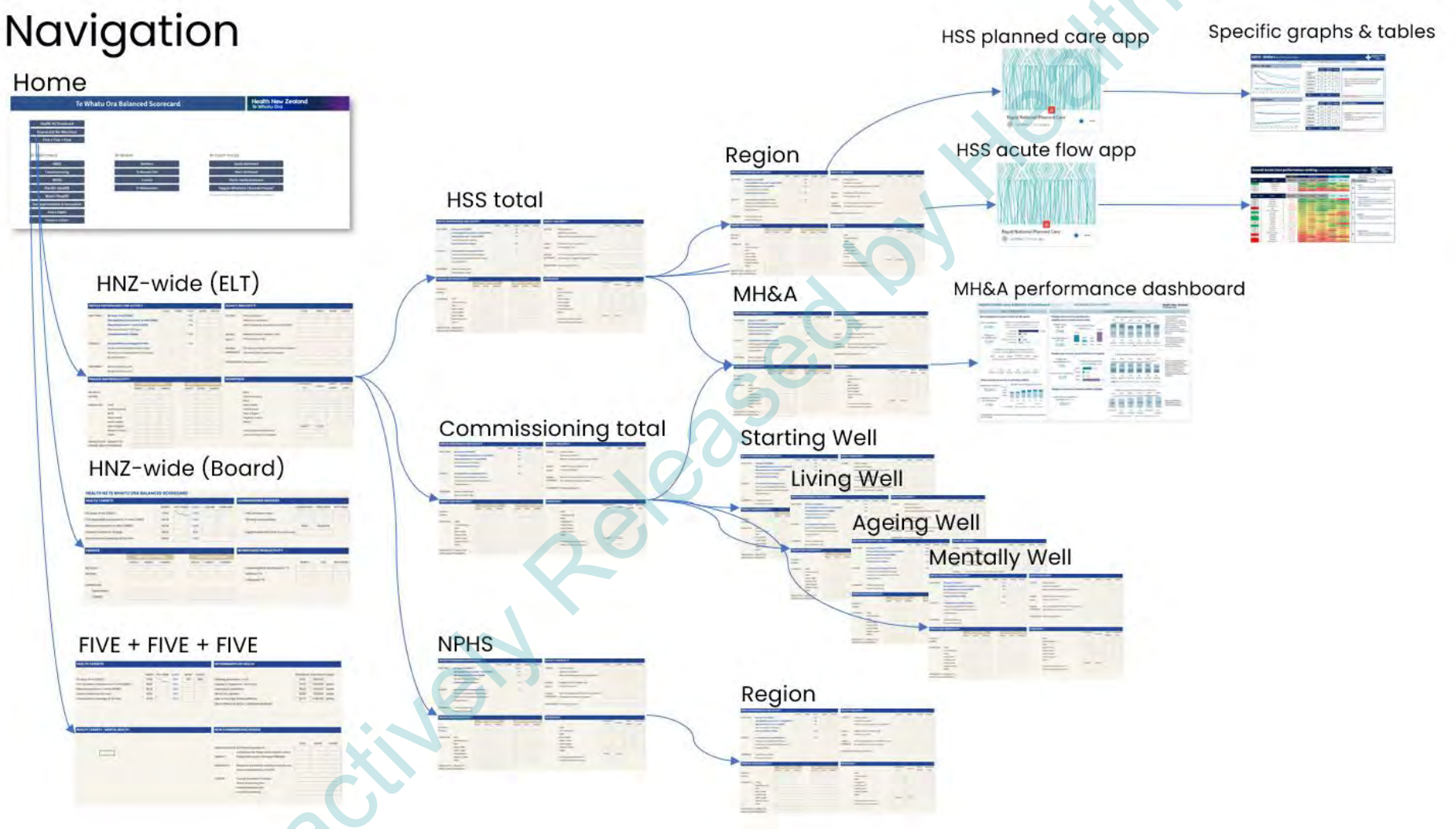
53. Implementation Plans will be provided to you for your review and feedback.

54. First week of July 2024: Quarter 3 Performance Report, Ministry of Health Monitoring report and first Health Target Practice Run results and communication materials will be delivered to you for feedback.

Appendix 1: Performance Management and Monitoring Overview



Appendix 2: Draft Balanced scorecards



Health New Zealand
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Health NZ-wide scorecard **DRAFT AGREED BY BOARD**

HEALTH NZ TE WHATU ORA BALANCED SCORECARD

HEALTH TARGETS

	MONTH	MTH TREND	TARGET	VOLUME	COMPLIANT
ED stays <6 hrs (SSED)	70.1%		95%		
First Specialist Assessment <4 mths (ESPI2)	65.2%		95%		
Planned treatment <4 mths (ESPI5)	61.3%		95%		
Cancer treatment <31 days	81.2%		90%		
Immunisation coverage at 24 mths	81.0%		95%		

COMMISSIONED SERVICES

	CURRENT MTH	PREV MTH	MTH TREND
PHO enrolment rate			
Primary care contacts			

	BEDS	VACANCIES
Aged Residential Care (at month end)		

FINANCE

	YEAR TO DATE ($000)			Forecast to year end		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
NET RESULT						
REVENUE						
EXPENDITURE						
Operational						
Capital						

WORKFORCE PRODUCTIVITY

	MONTH	YTD	MTH TREND
Caseweighted discharges / FTE			
NZWAU / FTE			
Total paid FTE			

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ELT scorecard **DRAFT**

SERVICE PERFORMANCE AND ACTIVITY

		MONTH	MTH TREND	TARGET	MAORI	PACIFIC
HEALTH TARGETS	ED stays <6 hrs (SSED)	70.1%		95%	72%	69%
	First Specialist Assessment < 4 mths (ESPI2)	65.2%		95%		
	Planned treatment < 4 mths (ESPI5)	61.3%		95%		
	Cancer treatment <31 days	81.2%		90%		
	Immunisation coverage at 24 mths	81.0%		95%		
SCREENING	Breast screening rate					
	Bowel screening rate					
PRIMARY & COMMUNITY	GP encounters (qualifying for capitation)					
	Commty radiology & maternity ultrasound					
DELIVERY	ED presentations					
	Appointments through digital channels					
	Acute care caseweighted discharges	58,058	348,348			
	Planned care caseweighted discharges	12,450	74,700			

		MONTH	YTD	YTD AGAINST TARGET
	Planned care procedures against target	6,500	78,000	96%

QUALITY AND SAFETY

		TOTAL	TREND	MAORI	PACIFIC
ACCESS	PHO enrolments				
	Newborn enrolments				
	MH&A accessing specialist care per 100,000				
SAFE	Healthcare assoc. infection rate				
	Pressure injury rate				
PATIENT & WHANAU CENTRED	Pts who could get care from GP when needed				
	Pts treated with respect in hospitals				
	Missed appointments				
EFFECTIVE	Fractured NOF to theatre within 24 hrs				
	People with poorly managed diabetes				
	Acute exacerbations of COPD				
	Admissions for major acute cardiac event				

FINANCE AND PRODUCTIVITY

		YEAR TO DATE ($000) ACTUAL	BUDGET	VARIANCE	% OF TOTAL	MONTH - JAN 2024 ($000) ACTUAL	BUDGET	VARIANCE
NET RESULT								
REVENUE								
EXPENDITURE	H&SS				65.0%			
	Commissioning				12.0%			
	NPHS				2.5%			
	Maori Health				6.1%			
	Pacific Health				4.9%			
	Data & Digital				3.1%			
	Other				6.0%			
	Total		13,000,000		100.0%			
MENTAL HEALTH RINGFENCE		1,117,183	1,139,983	98%	8.8%			
		NZWAU	FTE*	NZWAU per FTE		TREND		
PRODUCTIVITY	NZWAU/ FTE							

WORKFORCE

		CONTRACTED FTE	CLINICAL	MNGT/ SUPPORT
	H&SS			
	Commissioning			
	NPHS			
	Maori Health			
	Pacific Health			
	Data & Digital			
	People & Culture			
	Other			

	BUDGET	ACTUAL
Insourced personnel spend		
Outsourced personnel spend		

[PLACEHOLDER: Staff pulse survey result]				

Health New Zealand
Te Whatu Ora

Hospital and Specialist Services scorecard **DRAFT**

SERVICE PERFORMANCE AND ACTIVITY

		TOTAL	TREND	TARGET	ADMITTED	NON-ADMIT
HEALTH TARGETS	ED stays <6 hrs (SSED)	68%		95%	54%	79%
		TOTAL	TREND	TARGET	MAORI	PACIFIC
	First Specialist Assessment < 4 mths (ESPI2)			95%		
	Planned treatment < 4 mths (ESPI5)			95%		
	Planned treatment >365 days			0%		
	Cancer treatment <31 days			95%		
DELIVERY	ED presentations					
	Acute care caseweighted discharges					
	Planned care caseweighted discharges					
	Inpatient stays 7+ days					
	Daystay %					
	First Specialist Assessments					
	Follow-ups					
		MONTH	YTD		YTD AGAINST TARGET	
	Planned care procedures against target	6,500	78,000		96%	

QUALITY AND SAFETY

		TOTAL	TREND	MAORI	PACIFIC
ACCESS TO DIAGNOSTICS	CT within 42 days				
	MRI within 42 days				
	Colonoscopy - urgent <14 days				
	Colonoscopy - non-urgent <42 days				
	Colonoscopy - surveillance <84 days				
SAFE	Hospital Standardised Mortality Ratio				
	Healthcare assoc. infection rate				
	Pressure injury rate				
	Inpt falls with fractured neck of femur				
PATIENT & WHANAU CENTRED	Inpts involved in decisions about their care				
	Pts treated with respect in hospitals				
	Missed appointments				
EFFECTIVE	Fractured NOF to theatre within 24 hrs				
	People with poorly managed diabetes				
	Acute exacerbations of COPD				
	Admissions for major acute cardiac event				

FINANCE AND PRODUCTIVITY

		YEAR TO DATE ($000)			MONTH - JAN 2024 ($000)		
		ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
NET RESULT							
REVENUE							
EXPENDITURE	Medical						
	Nursing & midwives						
	Allied Health						
	Support						
	Mngt & admin						
	TOTAL						

		NZWAU	FTE*	NZWAU per FTE
PRODUCTIVITY	NZWAU/ FTE			
MENTAL HEALTH RINGFENCE				

WORKFORCE

	CONTRACTED FTE	UNPLANNED LEAVE		
Medical				
Nursing & midwives				
Allied Health				
Support personnel				
Management & admin				

	BUDGET	ACTUAL
Insourced personnel spend		
Outsourced personnel spend		

	ACTUAL	TREND
Shifts below target (Medical/Surgical wards)		

Health New Zealand
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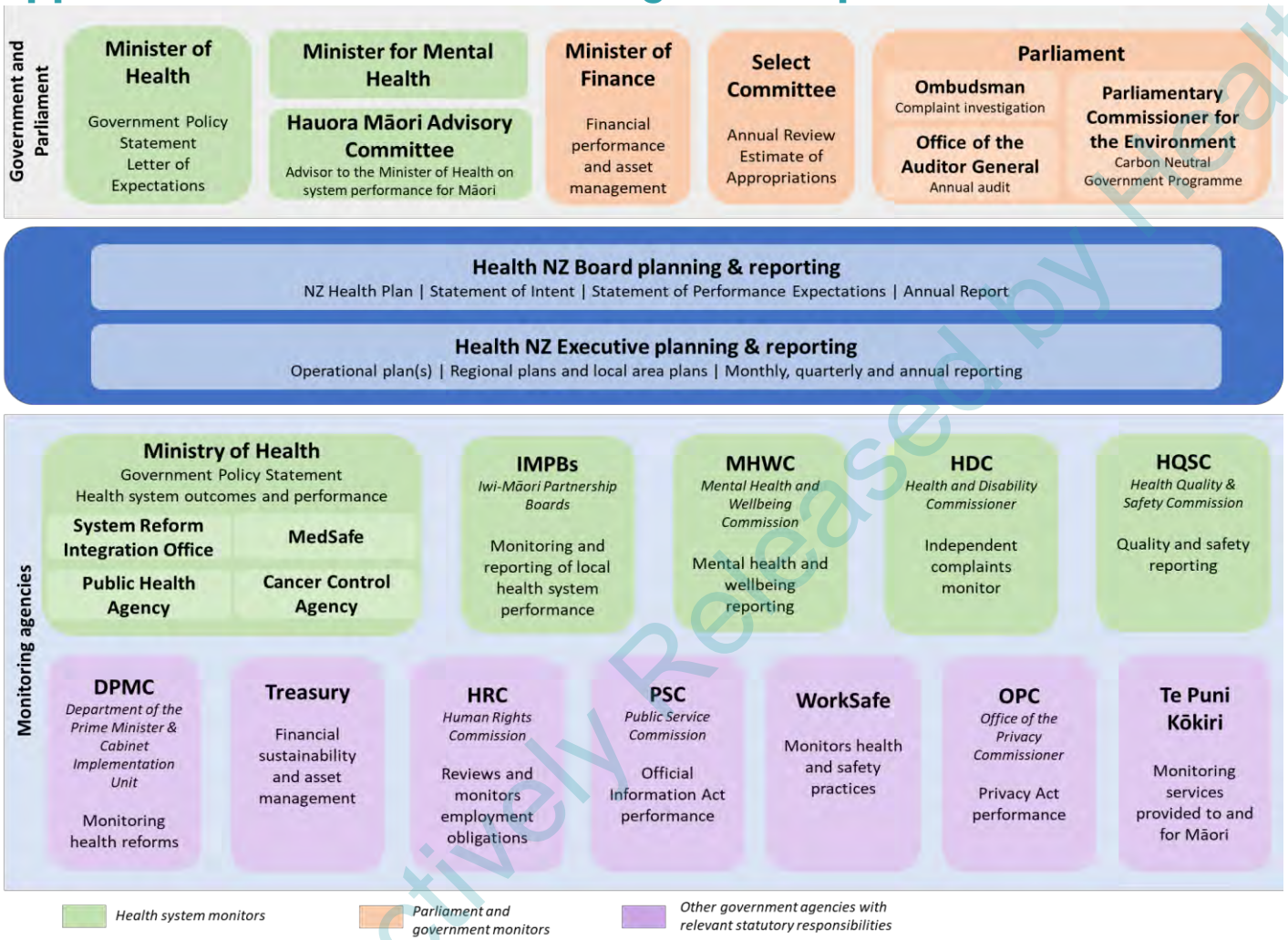
Appendix 3: Health NZ monitoring landscape



Health New Zealand
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Appendix 4: Timeline for publishing Quarterly Performance Reports (including health targets)

Step	Timeframe
Quarter ends	30 September; 31 December; 31 March; 30 June
Data captured by clinical coding and National Collection submissions completed	5-6 weeks after Quarter end
Data validation and National Collection completion checks	6-7 weeks after Quarter end
Data metrics calculated and distributed to relevant QA verification leads (across clinical areas and relevant functions)	7-8 weeks after Quarter end
Data QA undertaken and QA approval provided to use results	7-8 weeks after Quarter end
Quarterly Performance report submitted to relevant Health NZ management and governance bodies (RITs, ELT, Finance and Audit Committee, Board) and then to Ministry of Health, Iwi-Māori Partnership Boards[1] and Treasury *[TBC about timing of sharing with IMPBs]*	10-12 weeks after Quarter end
Director-General of Health, Health NZ Board Chair and Chief Executive meeting	11-12 weeks after Quarter end
Monitoring meeting (Ministry of Health, Treasury, Department of Prime Minister and Cabinet, Health NZ Chief Executive)	13 weeks after Quarter end
Results and publication materials submitted to Minister, along with Ministry of Health monitoring report and Health Targets Cabinet Paper from Ministry of Health	14 weeks after Quarter end
Results published	14+ weeks after Quarter end

[1] Reporting will be shared with IMPBs to enable them to perform their functions

Appendix 5: Draft schedule for health targets

The practice runs for Q3 and Q4 2023/24 are *italicised*.

Quarter	Quarter ends	Board reviews	To Minister	Published
3 (23/24)	*31 March 2024*	*27 June 2024*	*Week 1 July 2024*	*N/A; practice run*
4 (23/24)	*30 June 2024*	*27 Sept 2024 (TBC)*	*Week 1 Oct 2024 (TBC)*[2]	*N/A; practice run*
1 (24/25)	30 Sept 2024	Dec 2024 (TBC)	Jan 2025 (TBC)	Jan 2025 (TBC)
2 (24/25)	31 Dec 2024	Feb 2025 (TBC)	March 2025	March 2025
3 (24/25)	31 March 2025	May 2025 (TBD)	June 2025	June 2025
4 (24/25)	30 June 2025	August 2025 (TBD)	September 2025	September 2025

[2] As quarter 4 is year-end, additional steps are required to ensure completeness of data. We are working through any implications of this on the timeline and will keep you updated if there are any changes.

Minister's Comments

Aide Memoire

Update – Cost Control measures

To:	**Hon Dr Shane Reti, Minister of Health**	**Reference:**	**HNZ00051488**
From:	Margie Apa, Chief Executive Health New Zealand	**Due Date:**	7 June 2024
Copy to:		**Security level:**	In Confidence

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Margie Apa	**Chief Executive**	s 9(2)(a)	**x**
Rosalie Hughes	Chief Financial Officer	s 9(2)(a)	

The following departments/agencies have been consulted
The Ministry of Health and the Treasury have both been kept up to date with cost controls at a high level. This briefing will be shared with them for their information.

Attachments
Appendix 1: Summary of cost controls in place

Discussion

Lead indicators show some relief in the run rate but not a return to stable position

1. As you are aware, following a significant deterioration in the April financial result for Health New Zealand ('Health NZ'), expansive cost controls were put in place (on top of controls isolated to HSS that had been in place since February) (HNZ00048471 refers). Lead indicator results are currently showing:

a. a reduction in paid FTE over the last 3 weeks, from the peak in the year reduced over the last 3 weeks from the peak during the year seen in April.

b. reduced use of overtime since the end of April 2024 and is now costing $800k per week lower than the year-to-date average.

c. a reduction in casual FTE costs over the last 7 weeks. Although the last three weeks are below the year-to-date average, casual usage has not yet returned to the lowest levels seen July 23 to Sep 23.

d. sick leave costs beginning to trend up as is usual leading into Winter, which would historically have driven additional overtime and casual usage.

2. Note: all the results below are drawn from the locations covered by the AMS payroll system, which covers about 60% of national payroll. Work is also underway to expand the data/insights available from the other payroll systems, although this requires substantial manual effort.

3. We will have a more comprehensive end of month result at the end of next week.

Almost all cost constraint measures are in place

4. Cost control measures are being implemented in 7 areas with an estimated save of $90-$100m to the end of June – see Appendix 1 for details. Some points to emphasise:

a. **Recruitment:** A pause is now in place on all in-flight recruitment, with ELT approval required for recruitment to proceed.

b. **Contractors**: All non-clinical use of contractors is under active management at ELT level. For non-clinical contractors, no new contracts or contract extensions will be issued for the rest of the financial year, subject to override by ELT.

c. **Roster management**: Focus remains on active management of rosters and rates for nursing personnel and locums, with additional levels of authorisation required for additional duties, shifts and overtime, as well as planned removal of covid-specific sick leave (subject to discussion with unions).

d. **High annual leave liability:** A national picture of number of staff with high-leave balances is challenging due to the range of payroll systems, but we estimate it to be comparatively high. Managers are being supported to work through reducing leave balances with their staff. Additional work will commence in coming weeks.

e. **Deferral of non-essential work**: We have reviewed non-essential activities across all business lines and identified areas that may be deferred or cancelled. These are also shown in Appendix 1. Note, costings are early estimates and subject to change; further analysis is required to understand more fully the risks and benefits of deferring or ceasing these activities.

5. Monitoring, risk analysis and weekly updating to ELT continues.

Finalisation of our internal Budget is underway and centred on getting back to basics

6. It will take time for Health NZ to be on a sustainable financial footing. Our current cost structure and operating model is not affordable and a fundamental reset of national, regional and local budgets is needed.

7. From a financial perspective, 2024/25 will be about concentrating on getting the basics right (payroll, rostering, system flows) and addressing major financial stressors like employment costs, strengthening our financial foundation and monitoring while integrating operational controls. This 'grip & control' approach will provide a better foundation for driving improvements to health services and productivity gains into the future.

8. The following issues are currently being worked through:

    a. **Continuing cost control measures** – as outlined above, this would provide some downward pressure on run-rates for the first few months of the new financial year while other more enduring changes can come into effect.

    b. **Nursing FTE growth** – given the substantial increases in FTE for 2023/24 little to no growth is affordable for 2024/25 and in some areas reductions will be needed.

    c. **Other FTE growth** – the unexpectedly large growth in nursing FTE crowds out the potential in growth of other front line and requires a further 'sinking lid' on management/administrative workforce. Options for a more productivity-based resourcing model for frontline services needs to be prepared.

    d. **Wage growth** – s 9(2)(j) [redacted]

    e. **Recommissioning services run in-house** – some aged care facilities run by HSS group run at a deficit; restructuring could result in improved health results for patients and remove unnecessary costs from budgets.

    f. **Slowing down major projects that don't release capacity/resource** – work programmes are being reviewed to ensure that we maintain focused on projects in 2024 that have a strong likelihood of releasing capacity; however this is unlikely to generate much headroom in budgets, but could ensure focus on quality delivery of what work is getting produced

9. A final draft of our 2024/25 internal will be considered by our Financial and Audit Committee of Board on 24 June and Board on 27 June 2024.

Next steps

10. We will look to provide you a month-end brief the week of 17 June. We will also ensure you are provided with progress updates on continued implementation of these cost-controls via our fortnightly meetings.

Appendix 1 – Cost Control Measures

No.	Cost control	Implementation Readiness	Overall Status	Estimated savings until end June 2023/24[1]	Implementation plan	Commentary	Risks currently being managed
1	**Managing use of clinical supplies**			$2m to March YTD, $4m to June.	50 initiatives from districts underway. Additional controls for procurement and supply chain - National approval required on purchases of an individual item over a set amount. Threshold to be determined.	• Work underway to understand and remove blockages to fast action on procurement. Procurement processes need to be redesigned to increase efficiency, as concerns we have been over-consulting. • CE and Head of HSS will engage with Pharmac to ensure they deliver as scheduled to reduce costs for Health NZ.	• District based work so not a strong aggregate level of information
2	**Roster Management /Personnel cost control, HSS**			Approximately $30m over Q4.	1. Regular conversations with RDs and GDOs reinforcing messages on cost controls 2. Immediate strengthening of approval controls for additional duties and shifts. 3. CCDM to no longer be approved (in place since April) 4. Implement additional controls on management and authorisation of overtime (pending discussion with unions) 5. Stop COVID sick leave.	• Approval controls have been implemented. We have seen improved rostering behaviour from clinical leaders. • Chief Nurse to be announced shortly, which will enable further leadership on appropriate staffing for nursing. Leadership also being recruited for Safe Staff unit. • We continue to have a longer term issue with skill mix and capacity model. A regional, clinically supported review of FTE is being established, to look across the whole system and understand where hot spots and gaps still remain, as well as developing staffing benchmarks for like-hospitals. • Clear expectations set and monitoring needed to control over-rostering over June with public holidays. Also needing to be careful about the level of cover that's being required to mitigate strike action. • We intend to stop the use of COVID special leave from 1 July 2024 (handled instead through existing sick leave entitlements and conditions). Most Collective Agreements provide alternative duties/paid leave for illnesses that may pose a risk to patient or staff safety. Currently seeking feedback from unions so that we can make sure this change is made in a consistent way.	• The clinical risk needs to be balanced with the financial benefit (ie: overtime that automatically kicks in for theatres)
3	**Reduction in the use of outsourced personnel (ie agency nurses or locums)**			$3m in the month of June for agency nurses Savings on locum TBC	1. Implement blanket ban on casual/outsourced nursing 2. Blanket ban on locum rates above rate cards 3. Reduction in outsourced services, by establishing a national sign-off process on high-cost procedures (needs clinical input).	• Outsourced personnel trend tracking down, through optimising how we deploy existing nursing staff. • Guidance on agreed locum rate has been released. Any above the rate need approval from Head of HSS. s 9(2)(a) • More work needed to establish national sign-off process on high-cost procedures.	• Staff not able to take annual leave (poorly received) • Negative media attention • Mixed messages re health targets/costs • Reputation risk with the private provider market if pull out of bookings
4	**Immediate pause on organisation-wide recruitment including CCDM uplifts – ELT/Clinical override possible**			CCDM savings: around $12m per month Org wide: approx $1m per month for every month we pause recruitment.	1. Immediate pause on all in-flight recruitment (5,422 roles) 2. Protocol to take recruitment off-pause developed and communicated 3. ELT decision 28 May to confirm what recruitment is taken off-pause and what remains paused for interim 4. Further decision at ELT on next steps for paused recruitment 5. Reconfirm what vacancies remain into 2024/25 across all groups, following re-modelling of Budgets	• Recruitment 'pause' process and comms (for management and candidates) in development, expected this week. Running behind due to sensitivities. • ELT/CE discussions ongoing as part of business planning, about implications/issues for work programmes and delivery, especially where 75-80% recruited to new structures. • Meeting with CTU affiliated unions to try to agree a bulk process needed to 'disestablish' vacancies for roles agreed in structure/change docs. Not as simple as deleting vacancies.	• Inadvertently close off recruitment to clinically necessary roles • Unintentionally create workforce shortages in other parts of the frontline or in key enabling parts of the organisation
5	Identifying staff with high annual leave balances who have not taken leave in last 12 months and put in leave plans			Quantification unable to be easily identified, due to multiple systems	1. Extract information from payrolls (where possible) 2. Develop Monitoring plan 3. Set a target for 2024/25	• Progress has been hindered because of the number of payroll systems in operation. We expect improved progress next week.	• Create major disruption in teams with key personnel taking leave • (unless managed well) temporarily heighten single point failure risks in key operation or enabling teams
6	Immediate pause on organisation-wide spend on contractors for new or extended contracts			Quantification needed	1. Extract information from across the organisation to understand the size of the problem 2. Identify where there may be opportunities for June savings 3. Test with ELT to confirm final decision. 4. Consider options for settings into 2024/25	• ELT members now have visibility of all contractors in their business units, and working on termination plans where not business-critical. • Plan to do a bulk process to go back to contractor agencies (eg Robert Walters) to stand down contractors where necessary • Progress being made restricting procurement to two contract staff agencies from 1 July, including reducing rates. Rates have already reduced approximately by half, but still $75,000 an hour on spend	• Key deliverables (or dependencies to deliverables) are inadvertently put at risk
7	Cost-effective meetings (Immediate restriction on non-essential travel, controls on meeting costs)			Quantification needed	1. Ensure that all ELT are providing direction to staff about stopping travel and managing meetings costs unless under express need.	• Pulling data to track and control area of high spend. Tricky to form total picture as coming from multiple travel providers systems, which also means a single policy/control cannot be applied.	• Key meetings with stakeholders may not happen face to face – slowing or reducing quality of work • Inadvertently delay/complicate clinically necessary travel

No.	Cost control	Implementation Readiness	Overall Status	Estimated savings until end June 2023/24[1]	Implementation plan	Commentary	Risks currently being managed
8	Stopping or deferral of major project spends across all groups			Approx $40m total, across several proposals			

Name of project	Description	Estimated savings for 2023/24, ($)	Appropriation	Risks to manage
Recruitment slow	All recruitment to vacancies across organisation is slowed. Reduced outsourced expenditure (e.g. $250k legal). Groups have been holding vacancies anticipating 24/25 uncertainties. This is minimum possible savings.	2,500,000	HSS	Impact on work programmes or services are escalated and assessed on case by case basis. HSS have clinical leadership process in place to assess clinical roles.
Budget Release – Maori Research	Delay work on implementation of a new national database for research and Maori engagement in research in future months. Defer national quality events.	1,750,000	HSS	Minimal risks – work is deferred to 24/25 year.
Accrual Release – Maori Health Equity Pipeline	This accrual is not required now and can be released from the overall budget allocation of $10m for 23/24.	2,000,000	HSS	Funding for this is not available in 24/25 and will need to be considered again in new expenditure.
Accrual Releases – Pacific Health	Collection of one off underspends multiple projects including Pacific Provider Development Funding. Workforce Development, Undergrad Nursing and Midwifery, Diabetes workforce and immunisation.	9,900,000	PCPH	There are no services or provider contracts affected by this release. These are one off budgets allocated each year for projects.
Internationally Qualified Nurses Cap	Remove access to return to nursing fund by internationally qualified nurses and reframe the fund to only those nurses who currently hold an NZ APC. This is being actioned from 1 June. Advice to Minister provided 30 May.	4,400,000	HSS	There are no services or provider contracts affected by this release.
Workforce Initiatives not progressed this year	Defer Maori Health Leadership Programme to 24/25 financial year - $1m Delay seed funding for districts to establish a supported Healthcare Assistant Earn as You Learn Pathway. National guidelines are in development to roll out programme in a consistent way, funding not likely to be required ahead of guidelines. - $2m Defer training capability, health charter implementation $376,000	3,376,000	HSS	Minimal risks – work is deferred to 24/25 year.
Accrual Releases – Primary Options to Acute Care Services	Likelihood of contracting to be in place by end of June and 24/25 budget is available from 1 July.	10,000,000	PCPH	There are no services or provider contracts affected by this release.
Accessible Health Information Service Proof of Concept	This is part of total budget of $2.7m. Not all the budget is required now as more detailed scoping work is being completed.	1,800,000	COVID-19	There are no services or provider contracts affected by this release.
HPV programme	Slow down on novel access options such as drop off kits and mail out options and complete planning for pick up in scale 24/25	1,750,000	PCPH	Scale of uptake before end June will not be as desired.
Breast Screening ICT system	Of total budget of $60m, $10m has already been carried forward. Underspend is likely this year a further $2m can be given back that does not risk the project as a whole.	2,000,000	PCPH	Requirement to support age extension at year end may need some budget but at this stage can be accommodated in remaining budget.
BSA Qualitative review	Mobile screening and mammography unit to be secured to support rural areas can be deferred to new financial year. There is budget in the 24/25 year to fund this unit.	750,000	PCPH	Minimal risks – work is deferred to 24/25 year.
Immunisation taskforce	Taskforce related activity does not require as much funding in this financial year. Funding is being applied to support workforce development in Plunket to enable workforce to vaccinate.	1,100,000	PCPH	Minimal risks – work is deferred to 24/25 year.
TOTAL		**40,950,000**		

Financial Position:
May result update

16 June 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

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Key points

- The May result has now returned and is showing a further deterioration of the financial position: $129 million unfavourable, excluding Hauora Māori and pay equity.
- We will not reach the target budget surplus of $583 million. Instead, we now project a year-end result of $1 million. This forecast assumes pay equity revenue will be received. If revenue isn't received, then year-end result forecast will be a $528 million deficit.
- Investigation of underlying run rate shows a structural deficit of $1.4 billion (driven by staff costs) flowing into 2024/25 that needs to be resolved.
- Our intention is to take on a savings target of $2 billion in 2024/25 Budget on the premise that:
    - This is a comparable target to other agencies across government (7% of revenue).
    - A stretch target mitigates the risk of some savings not coming to fruition. The priority of National Health Targets remains unaltered.
    - A year of substantial work to achieve a turnaround means we can get on with the more enduring issues in the health system from 2025/26.
- No frontline clinical employees' roles will be impacted through the savings target.
- We intend to phase Budget 2024/25 revenue to maintain pressure throughout the year.
- We intend to put in governance, organisational structure and personnel changes to make the concerted effort to deliver on this savings target.

Health NZ Year to Date result and Full Year Forecast 2023/24 as at 31 May 2024

Health New Zealand Te Whatu Ora Group $Millions	Year to Date Total Actual	Year to Date Total Budget	Year to Date Variance	YTD Last Year Actuals	Full Year Revised Budget	Year End Forecast May Proposed
Total Revenue	24,718	24,117	601	23,774	26,456	27,364
Expenditure						
Internal Personnel	10,644	9,775	(868)	9,484	10,652	11,784
Outsourced Personnel	499	267	(232)	437	291	532
Other Operating Costs	4,323	4,055	(268)	5,045	4,675	4,782
Primary and Community Services						
Primary and Community Services	8,154	8,219	65	7,696	8,970	8,944
Interest, Depreciation & Capital Charge						
Interest, Depreciation & Capital Charge	1,185	1,176	(9)	1,088	1,286	1,321
Total Expenditure	24,804	23,493	(1,311)	23,749	25,873	27,363
Core Health NZ Result	(86)	624	(711)	25	583	1

Additional notes:

- Accrued FTEs are **1,943 over budget** for the month for nursing and **1,868 over budget** for total staffing. Outsourced FTEs are **887 over budget**.
- The year-to-date result excludes revenue for Pay Equity, but it is included in the year-end target.
- The movement between year to date and year end forecast is shown in the next slide.

Key Points

- The underlying variance for the month of May excluding pay equity is $129million.
- The unfavourable run rate for the month and the position year to date is driven by personnel costs.
- Revenue is favourable to budget year to date for ACC, Pharmac, Ineligible patients and COVID funding. There are offsetting costs in staffing and other operating costs.
- Total overspend year to date in internal and outsourced personnel is $1.1billion, $500m of this relates to pay equity settlements and funding is expected for these.

Health NZ Full Year Forecast – Risks and Opportunities Schedule

Risks and Opportunities - Upsides and Downsides in Forecast Presented on previous slide

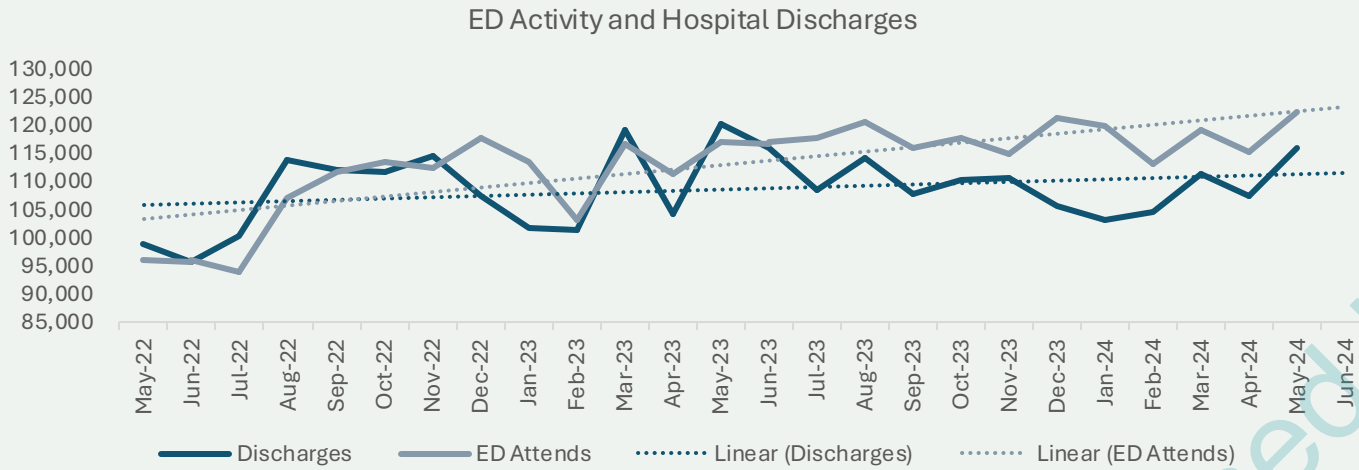
Updated for May 2024 result

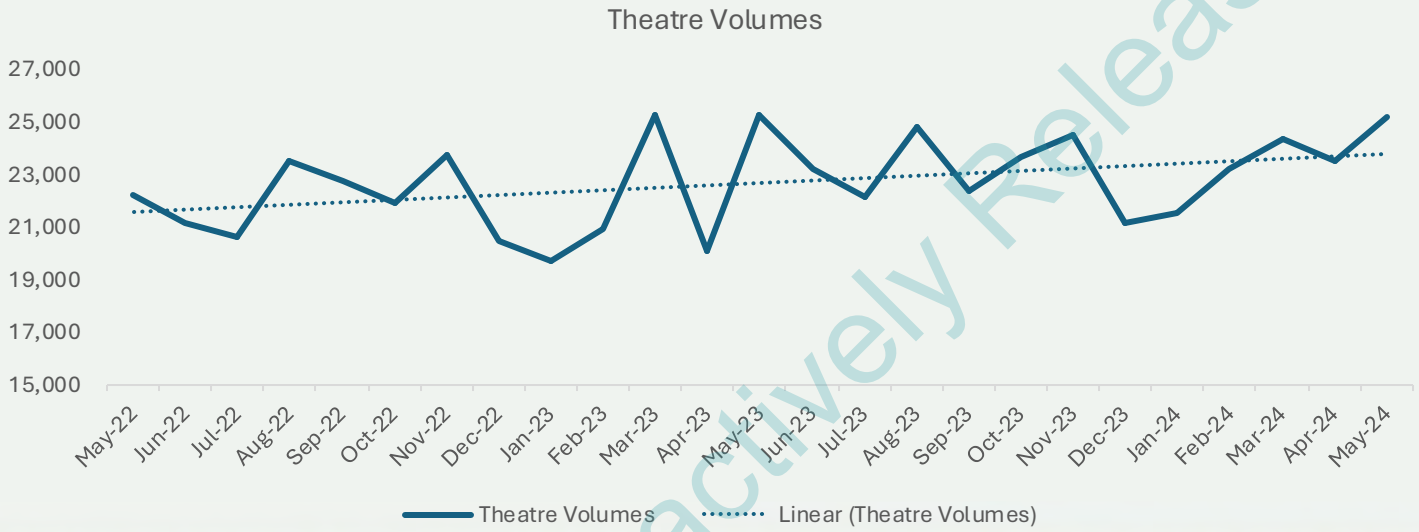
Upsides	$Ms	Downsides	$Ms
Nursing Pay Equity washup revenue	$ 110	COVID revenue repayment	$ 70
Allied Health Pay Equity revenue	$ 390	Holidays Act liability increase	$ 145
Midwifery Pay Equity revenue	$ 29	Further COVID write-off	$ 52
		Asset write-offs	$ 16
		ACC actuarial accrual	$ 24
Totals	**$ 529**		**$ 307**

Year to date position	***-$ 86***
Deterioration of performance - worst case, built into forecast	-135
Pay Equity revenue	$ 529
Downsides to year in year end forecast	-$ 307
Projected year end based on adding probability of above items to forecast	**$ 1**

NOTE: if revenue for Pay Equity costs is not received in 2023/24 then year-end result forecast will be **($528million)** deficit.

Activity (Preliminary information) – May 2024

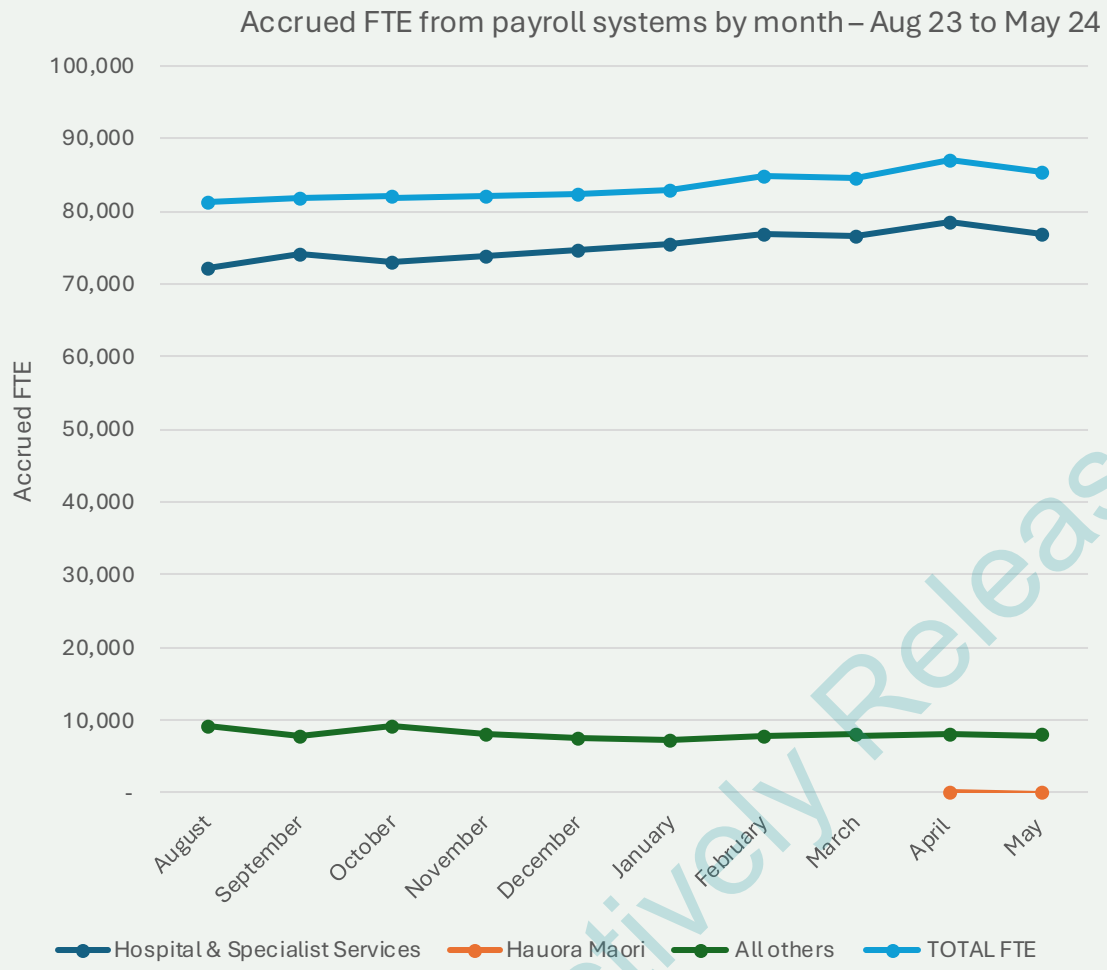




Initial Observations - May 2024 Activity

- Inpatient discharges were the highest since May 2023
- Operating theatre throughput was the highest month in the 2-year period reviewed
- ED attendances in May were also the highest number in the 2-year period reviewed
- Further information will be available later this week

FTE Growth Current Year

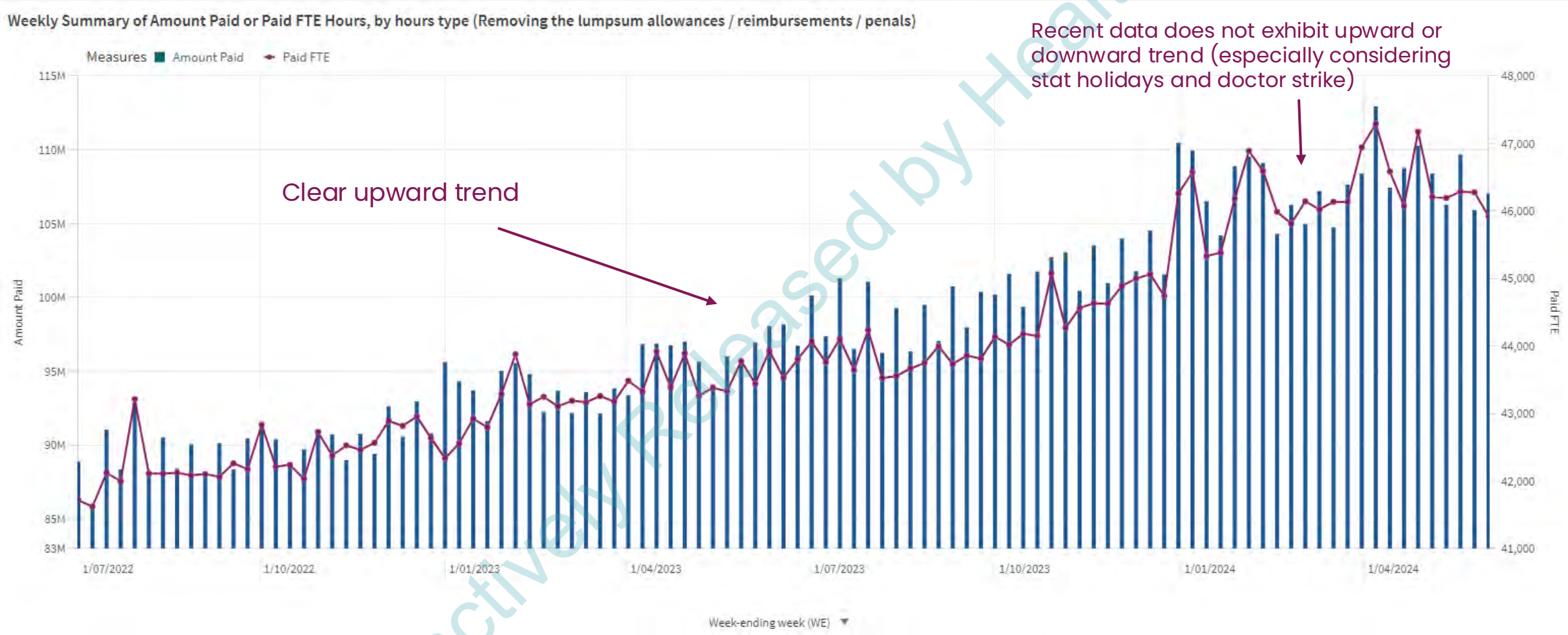


Accrued FTEs	Hospital & Specialist Services	Hauora Maori	All other groups	TOTAL FTE
August	72,141		9,180	81,321
September	74,131		7,830	81,961
October	72,969		9,122	82,090
November	73,928		8,168	82,096
December	74,679		7,695	82,375
January	75,431		7,411	82,842
February	76,944		7,902	84,846
March	76,700		7,993	84,693
April	78,589	261	8,101	86,951
May	77,030	248	8,047	85,325

Notes

- Accrued FTEs are the financial FTE measure pulled from monthly payroll data. Month by month this varies based on how much leave is taken, however over a year the trend is correct.
- We will be triangulating this data with contract and headcount FTE data plus recruitment pipeline measures.
- This data tells us that there has been significant growth in the number of people paid in hospital and specialist services, of about 7% from August 23 to May 24.
- Accrued FTEs for all other areas have reduced over the same period, circa 10%.

All staff – Weekly Hours and FTE



Examples from the savings plan

Revenue

- ACC Income ($25m) – Reviewing the ACC run rate and pricing
- PHARMAC Income ($104m) – Reconciling planned expenditure to revenue

Service Delivery

- Turnover rate ($124m) - Apply a turnover rate into the regions of about 3%, this would take account of expectation of frontline staff entering and exiting employment and time to replacement

Procurement & Supply Chain

- HSS – Supply Chain Logistics and Medical Devices Procurement ($100m target, likely $60m result)

Workforce

- Leave Balance reduction ($87m) – Introduce a target for corporate services of 5 days more than entitlement (managed by a 3-week shut down for management/admin staff over summer), Nursing 3 days, SMOs/Midwives/Allied 1 day
- Recruitment and vacancy hold ($13m) – the pause announced last week is expected to generate savings, that may grow if decisions are made to not backfill vacancies permanently.

Capital

- Rephasing capital plan ($70m) – Refocusing the capital work programme to have project capitise from later in the financial year can reduce depreciation.

Risk Management

- Centralisation of risk pools ($60m) – There are a number of risk pools that sit in different parts of the organisation. These will be centralised, giving an efficiency, and new rules put in place to access, with final use via CE recommendation to the Board Chair.

Aide-Mémoire

Health New Zealand
Te Whatu Ora

Impacts of Increased Employed Nursing Workforce

Due to MO:	26 June 2024	**Reference**	HNZ00052888
To:	Hon Dr Shane Reti, Minister of Health		
From:	Margie Apa, Chief Executive Officer		
Copy to:	N/A		
Security level:	In Confidence	**Priority**	Urgent
Consulted	n/a		

Contact for further discussion (if required)			
Name	**Position**	**Phone**	**1st contact**
Margie Apa	Chief Executive	s 9(2)(a)	x
Fionnagh Dougan	National Director, Hospital & Specialist Services	s 9(2)(a)	

Purpose

1. This paper brings together advice on the trends in nursing FTE alongside other metrics that are impacted by an increase in Health NZ's nursing workforces to inform your briefing to Cabinet.

Summary

2. Due to immigration there are more nurses in the country than at any time in the last five years. Data from the Nursing Council of New Zealand (NCNZ) shows a 10 percent increase in nurses working in New Zealand the last year in nurses, including a 25 percent jump in international qualified nurses (IQNs).

3. Since July 2022, nursing FTE for Health NZ has grown by 4,213 FTE (12.2%), and outsourced has grown by 98 FTE (52.2%). As our largest workforce, nursing FTE by the end of May totals 38,762 FTE (at a cost of $4.526 billion, year to date). Outsourced FTE adds a further 287 FTE (at a cost of $44 million, year to date).

4. In filling roles over the last 24 months, the Care Capacity Demand Management (CCDM) method for rostering nurses became uncoupled from affordability. The gap between budget for nursing FTE and actual FTE has progressively grown from 1,307 FTE in July 2022 (3.9% of Budget) to 1,614 FTE in July 2023 (4.5% of budget) to 3,558 FTE in May

2024 (10% of budget).

5. As we have grown our nursing workforce we have seen signs that nurses have had some relief from pressures. Nursing overtime hours have reduced by 32% from July 2023 to June 2024. Average annual leave balances for nurses have reduced and are currently at the same level of entitlements. Sick leave on average has largely remain unchanged.

6. We have also seen more activity, but it isn't proportionate to the growth in our FTE. Between July 2022 and May 2024 case-weighted medical / surgical discharges grew by 3.7%. Over the same period, the number of Accrued nursing FTE has gone up by 4,213 FTE, which corresponds to a 12.2% increase.

7. What are we doing about it? Addressing financial performance without compromising safety and delivery on the Government's National Health Targets is our priority. The following actions are underway:

   a) constrain nursing growth to service/clinical risk areas and National Health Targets while we;

   b) agree with unions more explicit alignment of CCDM implementation to be phased with affordability, improvements in patient safety and productivity;

   c) empower regional leadership to move nursing resources around regions to support priorities i.e. National Health Targets; and

   d) establish quality & safety and productivity benchmarks with budget and output KPIs for regional and local managers.

Discussion

There are more nurses in the country primarily due to immigration settings

8. Data from the NCNZ shows a 10 percent year-on-year increase in nurses with annual practicing certificates (and reported working in NZ). Within this increase is a 25 percent year on year jump in international qualified nurses (IQNs).

Graph 1: Nurse headcounts (Enrolled, Registered and Practitioners) 2020-2024 [Source: NCNZ]

9. We are also receiving anecdotal reports that the funded sector is now getting more applications for their nursing roles.

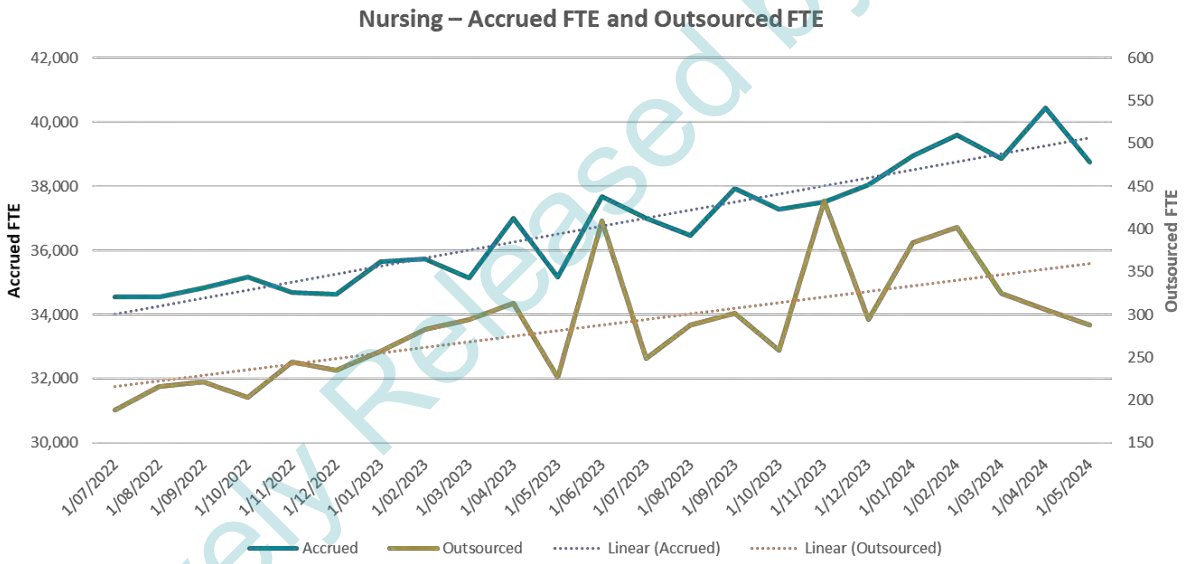
10. Immigration has been an effective lever in supporting more nurses into New Zealand when there are severe shortages in a timely way. As those shortages are addressed, however, we will need to calibrate better with domestic supply. We are New Zealand's largest employer of nurses and play an important role in managing the supply of nurses working jointly with tertiary institutions.

We benefited from more nurses in New Zealand by filling roles in service delivery…

11. Nursing personnel represents our largest workforce employed under two primary MECAs: PSA and NZNO. As at the end of May 2024 we have accrued nursing FTE[1] totalling 38,762 ($4.526billion, year to date) and outsourced FTE[2] totalling 287 ($44m year to date).

12. Since mid-2022, the Health NZ nursing workforce has been steadily increasing. Some reduction is observed from a peak in April as financial controls, including a pause on CCDM Council recommendations from March, have start to come into effect.

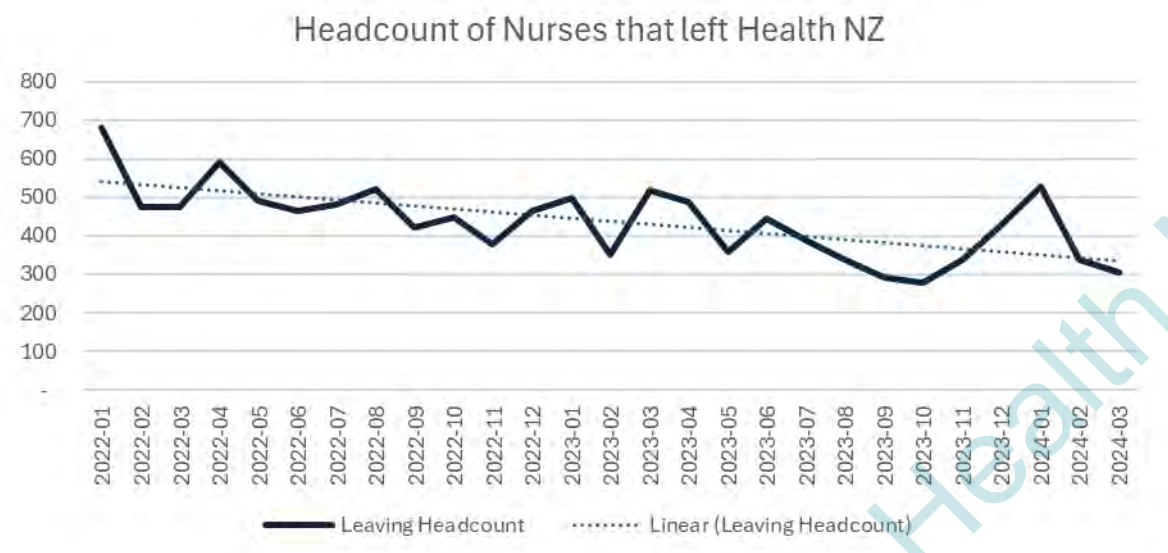
Graph 2: Nursing accrued & outsourced FTE, July 2022-May 2024 [source FIPM, Health NZ]



13. Our intention is to manage back to budget through attrition although the leaving rate for nurses has also fallen. This may take longer and is a key assumption affecting our estimated run rate to reduce expenditure in the 24/25 year.

[1] Accrued FTE = Paid FTE + leave accrual adjustments + an accrual adjustment to estimate payroll costs from the last pay-run to the end of the month. This information is generated monthly.
[2] Outsourced FTE are FTE that are engaged through nursing agencies. This information is generated monthly. Outsourced + Accrued FTE is used to help us understand the full financial impact of those working in a month.

Graph 3: Nursing staff turnover (headcount), Jan 2022 – March 2024 [Source: HWIP, Health NZ]



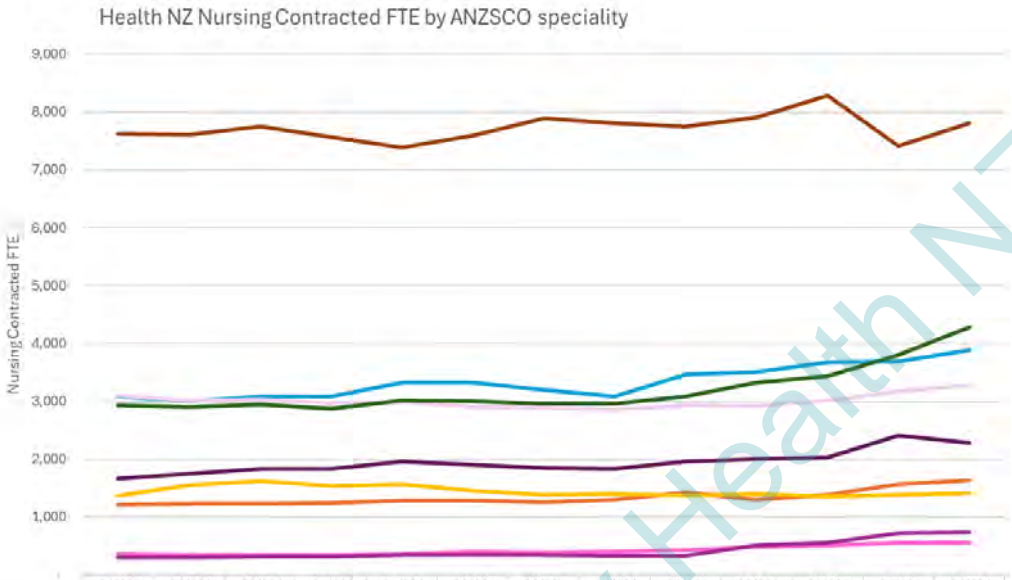
14. The increases in Nursing FTE have flowed into all regions (as summarised below), the greatest gains occurring across Te Waipounamu, centred in the Canterbury district.

Table 1: Accrued Nursing FTE, July 2023 & May 2024 [Source: FIPM, Health NZ]

		Jul-23	May-24	Change Jul-23 to May-24 (11 months)	
		Accrued FTE	Accrued FTE	Accrued FTE	%
Northern	Auckland District	4,616	4,821	205	4.40%
	Counties Manukau District	3,875	3,809	-66	-1.70%
	Northland District	1,555	1,652	96	6.20%
	Waitemata District	3,583	3,609	27	0.70%
	TOTAL Northern	**13,629**	**13,891**	**262**	**1.90%**
Te Manawa Taki	Bay of Plenty District	1,695	1,711	16	1.00%
	Lakes District	636	770	134	21.10%
	Tairawhiti District	353	418	65	18.40%
	Taranaki District	845	872	26	3.10%
	Waikato District	3,941	4,127	185	4.70%
	TOTAL Te Manawa Taki	**7,471**	**7,898**	**427**	**5.70%**
Central	Capital and Coast District	3,212	3,370	158	4.90%
	Hawkes Bay District	1,296	1,296	0	0.00%
	Hutt Valley District	884	981	97	10.90%
	MidCentral District	1,310	1,358	48	3.60%
	Wairarapa District	273	284	11	4.00%
	Whanganui District	537	566	29	5.40%
	TOTAL Central	**7,513**	**7,854**	**341**	**4.50%**
Te Waipounamu	Canterbury District	4,253	4,657	404	9.50%
	Nelson Marlborough District	857	913	56	6.60%
	South Canterbury District	366	387	21	5.80%
	Southern District	2,269	2,442	172	7.60%
	West Coast District	343	359	16	4.60%
	TOTAL Te Waipounamu	**8,078**	**8,758**	**670**	**8.20%**
TOTAL H&SS Regions		**36,691**	**38,401**	**1,710**	**4.66%**

15. By examining our nursing workforce by speciality, we see a growth in the surgical, and perioperative specialities (38% and 16% respectively since July 2022). Areas of acute shortage have also seen growth, for example a 26% increase in critical care & emergency nurses and 6% increase in mental health nurses since July 2022.

Graph 4: Health NZ Contracted FTE[3] by ANZSCO speciality 2021-2024 [source: HWIP, Health NZ]



	31/03/2021	30/06/2021	30/09/2021	31/12/2021	31/03/2022	30/06/2022	30/09/2022	31/12/2022	31/03/2023	30/06/2023	30/09/2023	31/12/2023	31/03/2024
Aged care	353	341	352	342	362	395	389	406	431	484	512	550	558
Child and family + Peadiatric	1,216	1,223	1,230	1,249	1,283	1,292	1,255	1,300	1,421	1,306	1,379	1,563	1,631
Community health	1,371	1,554	1,617	1,543	1,563	1,448	1,388	1,395	1,372	1,401	1,359	1,379	1,414
Critical care & Emergency	3,091	3,006	3,088	3,078	3,320	3,322	3,194	3,083	3,458	3,504	3,671	3,682	3,879
Medical + Nursing NEC	7,623	7,614	7,749	7,559	7,386	7,589	7,885	7,800	7,746	7,901	8,279	7,411	7,806
Mental Health	3,093	3,021	3,034	2,975	2,990	2,900	2,894	2,863	2,928	2,910	3,020	3,174	3,279
Perioprative	1,672	1,747	1,830	1,829	1,958	1,905	1,841	1,836	1,967	2,002	2,038	2,415	2,288
Surgical	2,931	2,907	2,941	2,874	3,012	2,997	2,960	2,961	3,088	3,318	3,437	3,803	4,275
Developmental Disability + Disability & Rehabilitation	300	299	324	312	348	346	343	338	336	508	551	730	732

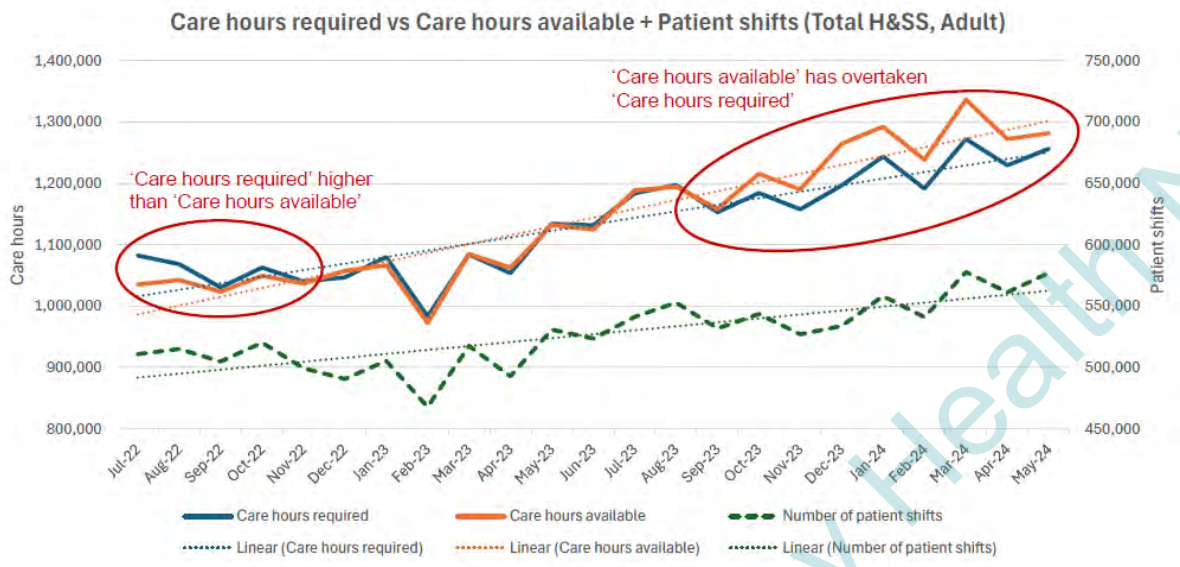
… but in filling roles, the Care Capacity Demand Management (CCDM) method for rostering nurses became uncoupled from affordability

16. The implementation of CCDM was supported by a value proposition that it would create a safer, more sustainable, and productive workplace. However, in filling vacancies in Health NZ, we have uncovered a loss of local, regional, and national financial controls and a disconnect between budgets and rostering, which needs to be rectified quickly. Its implementation was part of the Terms of Settlement in the 2018 MECA with NZNO and PSA nursing. We have a different interpretation of the automatic flow on of this methodology into FTE increases where unions believe it should be automatic and our view is that it should be subject to affordability.

17. While the filling of vacancies has meant that CCDM compliance has increased across all regions, over the same period 'Care hours available' has overtaken 'Care hours required', starting from September 2023. This flip is shown in the graph below. This trend is consistent across all regions, though Te Waipounamu has experienced the longest period of 'care hours available' exceeding 'care hours required'.

[3] Contracted FTE uses the number of hours that an employee is contracted to work. It is often considered a proxy for 'permanent' employees + fixed term employees. Contracted FTE covers all staff regardless of occupation and is reported quarterly. It helps us understand how many people are working and what their annual leave and sick leave status is, but it is not as useful in helping understand their financial impact (accrued, and outsource are better).

Graph 5: Care hours required vs available July 2022-May 2024 [Source: Trendcare, Health NZ]



18. The deviation between care hours available and required indicates an overallocation of resources, explained by three factors:

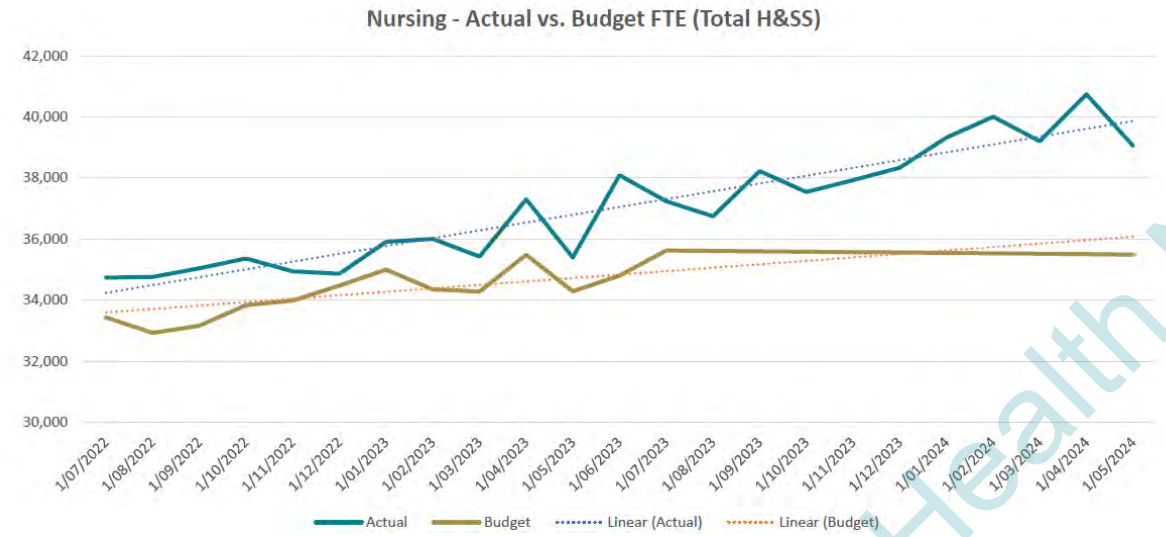
    a) *An increase in one-on-one or cohort care for patients who require more support*, peaking at 22% of nursing hours in March 2024. Implementation of CCDM should have decreased this care as other skilled employees, volunteers and families are supported to care for patients or cohorts of patients in these circumstances. Interventions in the last two months has seen one-on-one care fall to 18% and we would expect this decline to continue. This rapid decline shows that if the right controls are re-introduced then more efficient allocation of resources follows.

    b) *Increase in non-productive (non-clinical facing) time*. We do not hold this information nationally, but anecdotally, we understand that the sudden increases in IQNs and graduate nurses into Health NZ over the past year has meant that more on-site supervision is required to support induction and orientation. Group Directors of Operations (GDOs) and senior nurses consider this to be a temporary situation and as newer staff are further inducted to the practices and style of working in New Zealand settings that this should diminish. This continues to be monitored and investigated, along with anecdotal information of increasing numbers of non-clinical nursing positions.

    c) *Inadequate data to inform rostering decisions*. In order for CCDM to work effectively it requires a strong flow of people and financial information to those responsible for rostering. The tools built to enable this information flow, have not provided regular and reliable data, and consequently are not being used to their full potential. This lack of utilisation of information is an urgent priority that is actively being managed.

19. Overstaffing nursing has been a catalyst in a decline in financial performance. Since establishment, there has been a gap between budgeted nursing FTE and actual FTE. As vacancies filled, the gap between Actual and Budget has widened by 1,307 FTE (3.9% of budget) in July 2022 to 3,558 FTE (10.4% of budget) in May 2024.

Graph 6: Actual and Budget Nursing FTE – July 2022 to May 2024 [Source: FIPM, Health NZ]



20. It is our intention to negotiate rate of implementation for the remainder of CCDM to more explicitly align with affordability, patient safety and productivity. Our preference is to agree this outside bargaining and uncouple CCDM from views of what constitutes safe staffing. Workforce is only one of a range of variables that impact patient safety and how safe staff feel at work to practice.

At the same time wages for nurses increased substantially

21. The deviation of actual expenditure on nursing FTE from budget is also explained by the substantial increase of costs/FTE. Wages for nurses has increased 30% over the last three years. Two thirds of this increase is explained by pay equity settlements. The remainder is explained by MECA settlements.

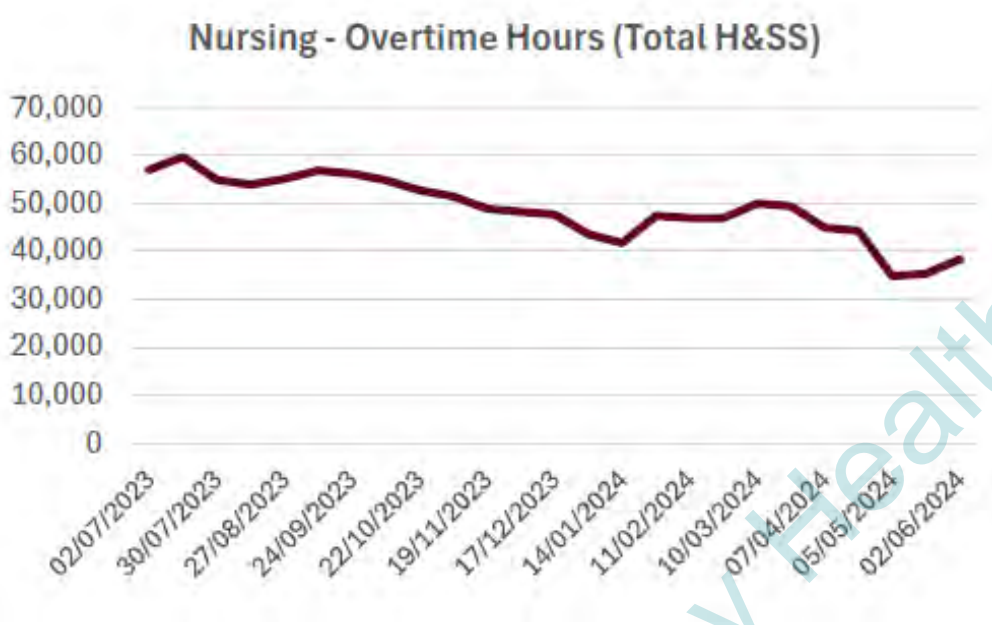
22. Funding allocated to date for pay equity covers the uplift of costs of those we employed at the date of settlement (June 2024), but it does not fund the ongoing cost of new employees hired above the FTE level after the date of settlement. Since settlement we have increased accrued nursing FTE by around 3,000. Consequently, the additional cost of nurses pay equity for Health NZ is about $70 million in 2023/24[4]

As we have grown our nursing workforce we have seen signs nurses are expereicning some relief from pressure

23. Importantly, higher nursing FTE has resulted in some benefits and signs that nurses are getting relief from pressures to take up their leave. Nursing overtime hours have also reduced by 32% from July 2023 to the start of June 2024, as is seen in the graph below. We are also just starting to see a decline in the use of outsourced nursing between February and the start of May (from 402 FTE down to 287 FTE at the start of May) and we expect this trend to continue.

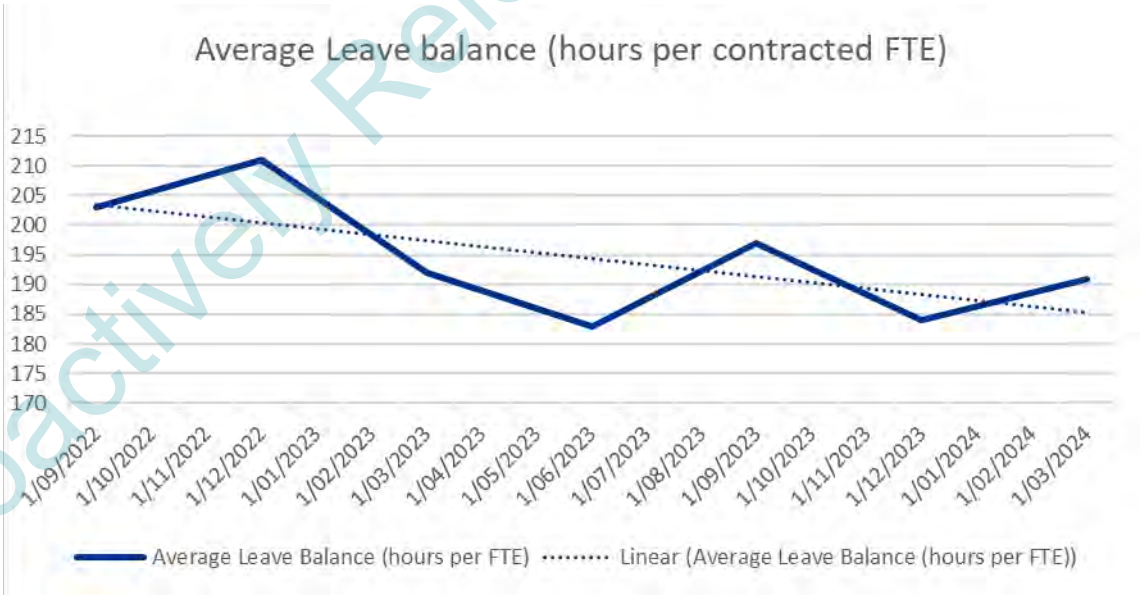
[4] The average wage of nurses currently employed by Health NZ is about $130,000 and 18% of that wage relates to pay equity increases, the estimated burden in 2023/24 = 3000FTEx18%x$130,000.

Graph 7: Nursing overtime hours, July 2023 to start of June 2024 [source: HWIP, Health NZ]



24. As seen in the graph below, average annual leave has fallen since first quarter, 2022.This is also consistent with the ratio to leave entitlements: between March 2023 and March 2024 the ratio of annual leave balance to annual leave entitlement hours has reduced from 107% to 104%. Average sick leave (hours per contracted FTE) has not changed significantly over the last one and a half years (moving between 22 and 27 hours on average, less than one working day).

Graph 8: Average nursing FTE leave balance v average nursing FTE leave entitlement, September 2022 to March 2024 [source: HWIP, Health NZ]

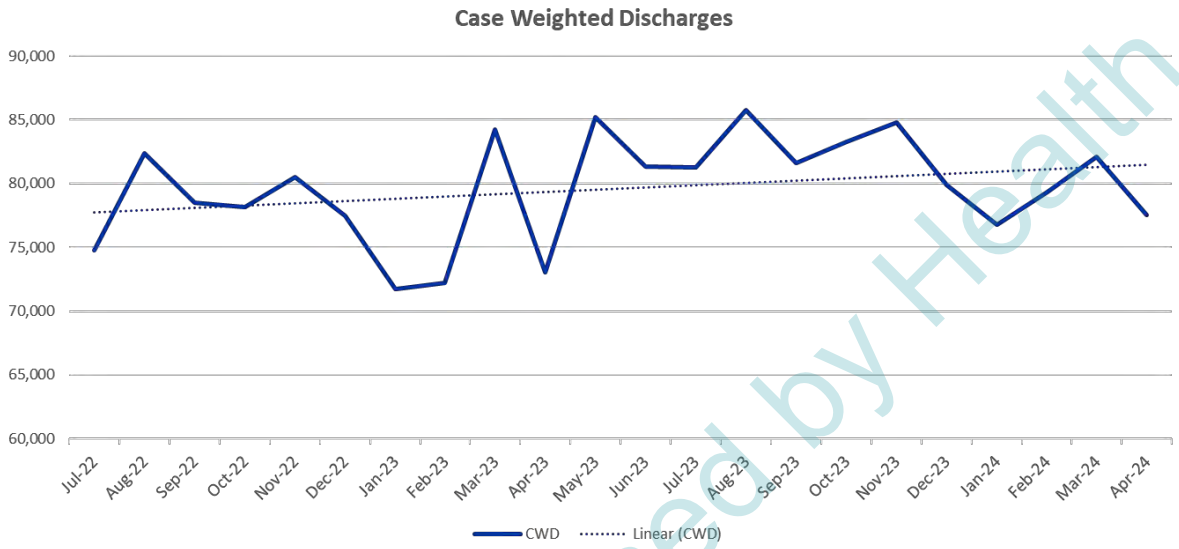


25. Pulse Survey (form of staff satisfaction survey) results undertaken in April 2024 reported an increase in nurses reporting positively to the question “I have the resources I need to perform my role well”. While the overall result for this year was 41% this was above the all-staff average and nursing was the third highest by profession. We have not yet done the work to check correlation or causation with CCDM implementation.

We have also seen more activity, but it isn't proportionate to the growth in our FTE nor can we confirm patient safety has improved

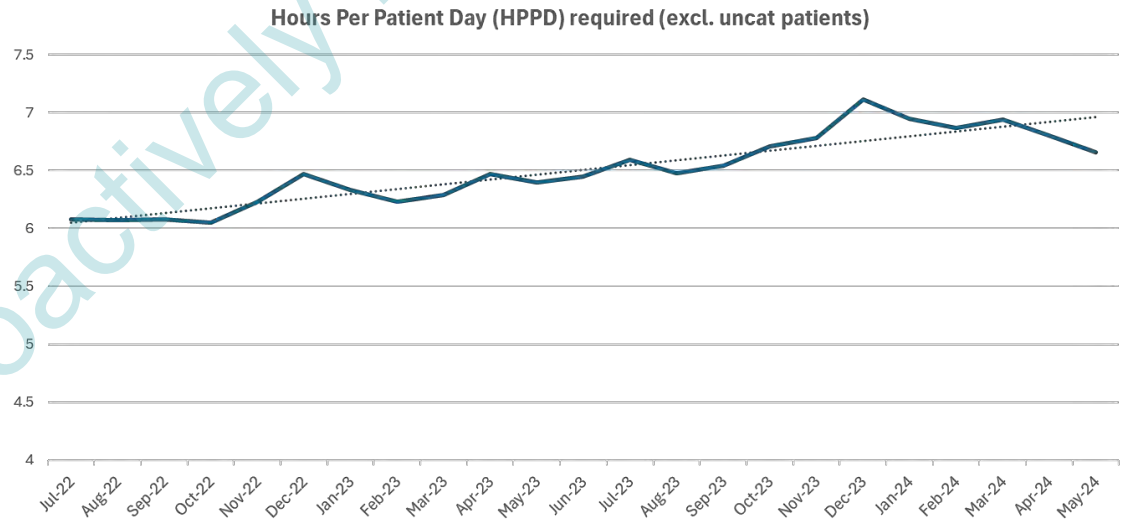
26. Between July 2022 and May 2024 case-weighted medical / surgical discharges grew by 3.7%. Over the same period, the number of Accrued nursing FTE has gone up by 4,213 FTE, which corresponds to a 12.2% increase. Clearly the increase in nursing FTE is not proportionate to the increase activity.

Graph 9: Case Weighted Discharges, July 2022-April 2024 [Source: Health NZ][5]



27. At the time of writing, work is underway to interrogate whether CCDM has made a difference to productivity and/or patient safety. Although nursing hours per patient day has increased, we cannot yet correlate this to improved patient safety or experiences of care. We are analysing other data sets for insights such as the Australasia Health Roundtable.

Graph 10: Hours per patient day required – July 2022 to May 2024 [Source: Health NZ]



[5] Case Weighted Discharges fluctuate significantly one month to another as it is impacted by: number of days in a month, summer and public holidays (where there is generally lower activity), any strike days.

What are we doing about it?

28. Addressing financial performance without compromising patient quality and safety and delivery of the National Health Targets is Health New Zealand's priority. The following actions are underway:

    a) constrain nursing growth to service/clinical risk areas and National Health Target priorities while we;

    b) agree with unions more explicit alignment of CCDM implementation to be phased with affordability, patient safety and productivity;

    c) empower regional leadership to move nursing resources around regions to support priorities i.e. National Health Targets; and

    d) establish quality & safety and productivity benchmarks with budget and output KPIs for regional and local managers.

Aide-Mémoire

Health New Zealand
Te Whatu Ora

Quarter 3 Performance Report

Due to MO:	27 June 2024	**Reference**	HNZ00053848
To:	Hon Dr Shane Reti, Minister of Health		
From:	Peter Alsop, Chief of Staff		
Copy to:	N/A		
Security level:	In Confidence	**Priority**	Urgent
Consulted	Ministry of Health, in its monitoring capacity, has provided a companion report to the Quarter 3 Report.		

Contact for further discussion (if required)

Name	Position	Phone	1st contact
Peter Alsop	Chief of Staff	s 9(2)(a)	x
Lisa Williams	Head of Strategy, Planning and Performance	s 9(2)(a)	

Attachments

Appendix 1:	Quarter 3 Performance Report (for publication) **N.B. Publicly Released**
Appendix 2:	Te Pae Tata Summary (not for publication) *
Appendix 3:	Budget Tracker and Risks & Mitigations (not for publication)
Appendix 4:	Practice run: National Health Targets results and communication material (not for publication) *

*** N.B. Not in scope, no financial information**

Purpose

1. Please find attached our Q3 Report (January – March 2024). Publication is scheduled for the week of 1 July (day tbc). We would be pleased to consider any feedback on the report ahead of publication. We also understand the Ministry's monitoring report will be provided alongside.
2. Appendix 2 (Te Pae Tata Summary) and Appendix 3 (Budget Tracker and Risks & Mitigations) will not be published.
3. We are also providing Appendix 4 (communication material on the National Health Targets - practice run). This will not be published as such, there is more time for feedback on this matter beyond the Q3 Report. We will incorporate your feedback and send any refinements to you by 31 July.

Discussion

4. The Chief Executive's foreword in the Q3 report provides an overview of both progress and challenges. The Chief Executive will review the foreword before publication and may make some changes.
5. Key issues that may attract particular public attention are:
    a) Financial performance for the quarter. We have tried to balance the financial performance story for Q3, considering deterioration in Q4.
    b) Results for the five metrics that make up the National Health Targets. We note that target performance set in our current accountability documents, and reflected in graphs in the report, are different to the targets coming into effect from 1 July. Two measures are also calculated differently. We have explained this in Appendix 1.
    c) Eight of 22 measures have slipped 2% or more during the quarter – three of these are National Health Targets. Some deterioration can be attributed to workforce pressures, along with seasonal factors. Operational data from Q4 gives us some assurance that performance is improving.
        i. **People waiting more than four months for a first specialist appointment (FSA):** The national total on the FSA waitlist has been increasing. We are working to reduce variation in access, booking and waitlist management processes.
        ii. **People waiting more than four months for a procedure:** The total treatment waitlist continued to increase in Q3 across all ethnicities and regions. A national performance monitoring framework for H&SS is operational. An intensive support team is working with underperforming areas.
        iii. **Cancer patients waiting less than 31 days for first treatment:** The proportion of eligible cancer patients who received their first treatment within 31 days fell and is below target. We are committed to improving cancer treatment by improving access to diagnostic equipment, and international recruitment for radiation therapists and oncologists.
        iv. **Primary care enrolment:** The proportion of people enrolled decreased

slightly. Primary care continues to manage workforce and resourcing constraints, resulting in some being unable to enrol new patients.

v. **Access to primary mental health and addiction services:** The decrease in access to primary mental health this quarter is likely due to a seasonal variance over the summer holiday period. In addition, challenges with reporting may have impacted the decrease. This should be resolved in the next quarter.

vi. **Access rates for specialist mental health services:** Access rates for Q3 are the lowest since the baseline in 2022/23. This is a priority for future planning and improvement.

vii. **People waiting more than 365 days for a procedure:** There has been a slight increase. Regions are collaborating to identify and address local issues. This includes improving outsourcing processes and promoting the National Travel Assistance Scheme to support patients to access the care they need outside their home area.

viii. **Delivery of planned care interventions:** Decrease in number of planned care interventions, which is related to seasonal trends. Weekly reporting of planned care delivery has been rolled out at a local and regional level to support monitoring and targeted waitlist support.

National health targets

6. As previously communicated (HNZ00046125 refers), we are undertaking two practice runs of the National Health Targets publication process as part of our Q3 and Q4 reports.

7. Q3 results and visual content are provided for your feedback (Appendix 4). This material will not be published; we look forward to your feedback.

Timeframes

8. Our production timeframe for each quarter was shared with you in May (HNZ00046125 refers); that followed work to robustly document all relevant procedures, and stress test the critical path of the report's overall development. There are several steps to ensure data (including for health targets) is final and robust (using a pre-set quality assurance (QA) process), and all relevant parties are informed, including monitoring discussions.

9. Over the last year, we have reduced the time from quarter end to sharing and publishing each quarterly report.

	Report	Period	Board review	Submitted to Minister	Published on Health NZ website	AOG Targets published by DPMC
2022/23	Quarter 1	1 July – 30 Sept 22	16 Nov 22	1 Dec 22	3 Feb 23 *(18 weeks)*	
	Quarter 2	1 Oct – 31 Dec 22	15 Feb 23	24 Mar 23	5 May 23 *(18 weeks)*	
	Quarter 3	1 Jan – 31 Mar 23	17 May 23	14 June 23	12 July 23 *(15 weeks)*	
	Quarter 4	1 April – 30 June 23	16 Aug 23	6 Sept 23	5 Oct 23 *(14 weeks)*	N/A
2023/24	Quarter 1	1 July – 30 Sept 23	18 Dec 23	18 Jan 24 **#**	7 Feb 24 *(18 weeks)*	
	Quarter 2	1 Oct – 31 Dec 23	14 Feb 24	14 Mar 24	3 April 24 *(13 weeks)*	
	Quarter 3	1 Jan – 31 Mar 24	27 June 24	27 June 24	*Scheduled \2 July 24 (13 weeks)*	*Early Aug – STR consider first AOG Qtrly report. Est public release in Mid-August*
	Quarter 4	1 April – 30 June 24	*Scheduled for 27 Sept 24*	*Scheduled for week of 1 Oct 24*	*Week of 1 Oct 24 (13 weeks)*	*TBC*

issues with data completeness led to a delay. The Board saw a draft report in December that was narrative only and had no measures results in it. The completed report with results was considered by the Board (via email) early in the 3rd week of January.

10. We recognise the high public interest in reporting being as timely as possible, so are again reviewing and stress-testing the end-to-end process for collecting and managing data, with a particular focus on health targets. We will keep you informed as we continuously implement improvements and complete our discovery work.

11. While there is a delay from the end of the quarter through to publication, real time knowledge of performance using operational (unvalidated) data exists at all levels of Health NZ for management purposes, including updates to you as Minister.

12. You have requested a briefing comparing operational data with QA verified data from National Collections for publication. We are collaborating with the Ministry on this briefing and aiming to provide it to you next week.

Next steps

13. Once we consider any feedback you would like to provide, the Q3 report will be published – our intention is in the week of 1 July.

14. A Communications Plan has been prepared for the release of the Q3 report.

15. In the near future (though less urgent than finalisation of the Q3 report), we look forward to your feedback on the National Health Targets practice run. We will send refinements to you by 31 July.

Appendix 3 of Quarter 3 Performance Report

N.B. Not published. Sent to the Minister as part of HNZ00053848

N.B. Pages 24-32, 37 – 58, withheld in full as not in scope and do not contain financial information

NON-PUBLISHED APPENDIX

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Budget tracker

We are in the process of incorporating the Budget 22 and 23 tracker into our quarterly reporting. This quarter, financial figures as of 31 March 2024 are provided. The narrative for quarter three was provided to the board in early April.

Starting quarter four 2023/24, both the narrative and finances will be included in the quarterly report.

Budget 2022: 2022/23 Spending Summary as at 31 March 2024

This summary does not include contingency funds not drawn down.

It also does not include initiatives assigned to Te Aka Whai Ora. We will start reporting these in quarter four, in alignment with the transfer of functions from Te Aka Whai Ora to Health NZ.

Initiative	2023/24 Funding ($m)	2023/24 Actual + Committed[1]	Spend to 31 March 2024 ($m)	Spending since last month ($m)
Addressing the Burden of Diabetes for Pacific Communities	5.000	5.00	2.000	1.750
Allowing Payment to Family Members for Support Services	17.000	17.000	11.333	1.416
Comprehensive Primary Care Teams	61.146	61.146	42.169	12.651
Continuing the Alcohol and Other Drug Treatment Courts: Waikato, Auckland, and Waitakere	8.119	7.750	5.780	0.993
Dementia Mate Wareware Action Plan - Implementation Support Funding	2.860	2.860	2.145	0.477
Emergency Air Ambulance Services – Additional Support Funding	22.512	22.512	16.884	3.752
Emergency Road Ambulance Services – Additional Support Funding	44.776	44.776	33.582	7.463
Establishing the National Public Health Service – Digital and Data Infrastructure	6.164	1.964	0.315	0.162
Extending School Based Health Services	3.137	0.984	0.858	0.164
Health Data and Digital – Foundations and Innovation	58.490	14.024	6.081	1.757
Health Workforce Development	13.000	13.000	7.275	3.367

HIV Action Plan Implementation	5.375	3.265	2.115	1.333
Improving Access to Primary Health Care Services for Transgender People	0.583	0.536	0.437	0.097
Introducing a Rights-based Approach to Health Care for Intersex Children and Young People	0.699	0.375	0.219	0.102
Mana Ake – Continuation and Expansion of Mental Wellbeing Support for Primary and Intermediate School-aged Students	21.817	22.060	16.580	3.606
Neonatal Retinopathy Screening	2.332	2.332	0.000	0.000
New Public Health Agency and National Public Health Service Establishment	11.850	11.853	6.400	1.480
Pacific Primary and Community Care Provider Development –Securing Future Capability and Shifting into New Models of Care	14.044	14.044	9.554	5.023
Piki – Continuation of Integrated Primary Mental Health and Addiction Support for Young People in Greater Wellington	3.500	3.680	2.756	0.612
Population Health and Disease Management Capability	29.281	29.281	20.265	4.140
Preventing Family Violence and Sexual Violence: Services for Victims of Non-fatal Strangulation	2.028	0.000	0.000	0.000
Preventing the harm from serious and organised crime in New Zealand	0.188	0.156	0.092	0.030
Primary Care Funding Formula – Equity Adjustments to Capitation	24.414	24.414	18.311	4.069
Service Integration for Locality Provider Networks	27.624	27.627	5.356	1.190
Smokefree Aotearoa 2025 Action Plan	1.640[1]	1.339	0.538	0.251
Southern Health System Digital Transformation Programme	4.229	1.038	0.020	-0.115[2]

[1] This is inclusive of Health NZ's proportion of the main and contingency funding.

[2] OPEX spend reduced as prior month spend re-categorised as CAPEX. Total CAPEX is $2.684m

Specialist Mental Health and Addiction Services – Increasing Availability of Focused Supports	14.700	13.300	7.671	1.989
Support Workers (Pay Equity) Settlements Act 2017	38.629	38.629	28.972	6.438
Well Child Tamariki Ora – Continuation of the Enhanced Support Pilots	1.2550	1.250	0.938	0.209
Total operating	**446.389**	**386.214**	**248.644**	**64.404**

North Island Weather Event Initiatives

Initiative	2023/24 Funding ($m)	2023/24 Actual + Committed	Spend to 31 March 2024 ($m)	Spending since last month ($m)
Hospital & Specialist Services	1.770	1.221	0.846	-0.342*
Mental Health and Wellbeing Response	9.890	10.000	4.430	1.107
Primary, Community, and Residential Care Recovery	13.304	13.534	11.63	0.800
Transport and Power	5.730	1.986	1.986	0.052
Total operating	**30.694**	**26.741**	**18.892**	**1.617**

* Note: This information is sourced from various finance teams across the organisation. The initial numbers provided were a mix of committed and / or actual expenditure, including double counts (for example where national commitments were not eliminated against local expenditure and hence double-counted). Significant cleaning up was required to address the following issues:

- Difficulty streamlining nationally-approved funding initiatives with local execution / decision making processes and expenditure;
- Difficulty reconciling actual expenditure with nationally or locally-agreed initiatives and commitments;
- Allocating expenditure to the correct workstreams and initiatives −not all commitments and/or expenditure could be successfully mapped to funded initiatives;
- Difficulty receiving timely accurate and complete data from finance teams due to change process, staff movement and disestablishment of Te Aka Whai Ora.

Budget 2023: 2022/23 Spending Summary as at 31 March 2024

Initiative	2023/24 funding ($ millions)	Baseline funding reprioritised to align	Committed 2023/24	Spend to 31 March ($ millions)	Expectation for 2023/24
Wait lists (Planned Care subtotal $21.5m + $110 baseline - $131.5m)					
Patient Flow Improvement *System Flow Initiatives that will support patient flow and free up capacity for planned care deliver not covered in other Planned Care funding.*	8.000			96.181 The Planned Care Patient Flow Improvement initiative ($8m) and the Planned Care Procedure ($110m) budgets are reported against as a single expense; the budget is treated as a single pool of $118m by H&SS and is not able to be split. The spend to date is calculated based on delivered volumes (as reported via Regions) * 2023/24 national price.	8.00
Planned Care Procedure *Carry forward of Planned Care funding for deferred provision.*		110.000			110.000
Planned care pathways *Expansion of planned care pathways in primary care.*	13.500			3.042	4.197
Workforce (placeholder $20m)					
Workforce Action Plan: Financial Assistance for Nursing Students, medical student places *Initiatives in progress for costing: Earn as you learn – fund FTEs for training nurses to be employed in healthcare settings. Pending*	20.000			This is part funding for the Health Workforce Plan. Spending cannot be separated from the wider Workforce Plan. As $20m has been spent on the Workforce Plan, this	

Initiative	2023/24 funding ($ millions)	Baseline funding reprioritised to align	Committed 2023/24	Spend to 31 March ($ millions)	Expectation for 2023/24
overall Workforce Action Plan and confirmation of Contingency drawdown use.				initiative is considered to be fully spent.	
Equity Pipeline Projects (placeholder $20m in addition to above investments)					
Māori Health Equity Pipeline *Priority project to address the life expectancy gap. Expand prototypes in Lung Cancer Screening and AAA screening. Scale Hep C for national implementation. Test mode of care innovations for HPV self-testing.*	10.000		7.00	4.700	7.000
Pacific Health Equity Pipeline *Decide tranche when pipeline analysis is completed.*	TBC			It is understood that no update is required for Pacific Health Equity Pipeline as funding was never approved by Board.	
Implementation of Breast Screening Recommendations *Implementation planning for recommendations under way. This includes a review of the current national screening service seeking opportunities to integrate all screening programmes. Note that the Parliamentary Inquiry into cervical screening is due to report that may recommend further actions.*	10.000	4.030	12.090	0.401	12.090
Winter Measures (subtotal $102m + $63m additional FTEs)					
Immunisation *$7m primary care vaccine fee for service cost pressures to administer vaccines as recommended by Taskforce.*	7.000			5.250	7.000
Outreach capacity – Māori *Enhanced service delivery models to achieve 'catch up' with focus on Māori uptake of childhood immunisations as per Immunisation Taskforce recommendations. Baseline kaiawhina workforce established during COVID19 to expand outreach for immunisation and screening catch up. Māori outreach capacity based on Te Aka Whai Ora advice.*	25.000			9.883	25.000

Initiative	2023/24 funding ($ millions)	Baseline funding reprioritised to align	Committed 2023/24	Spend to 31 March ($ millions)	Expectation for 2023/24
Outreach capacity – Pacific *Enhanced service delivery models to achieve 'catch up' with focus on Pacific uptake of childhood immunisations as per Immunisation Taskforce recommendations. Baseline kaiawhina workforce established during COVID19 to expand outreach for immunisation and screening catch up.*	10.000		9.498	6.324	10.000
A&M standardisation, Acute care pathway, community allied health, increased community radiology access *Increasing primary care capacity by enabling consistent access and funding of accident and medical or urgent care capacity; Accelerate pathways that will reduce likelihood of hospital admissions (e.g., respiratory clinics); Expand allied health workforce (e.g., Physio) to shift planned care assessments into community; Increase POAC funding to enable access to diagnostics and avoid hospitalisation.*	57.000			18.071	29.080
Release 1000 equivalent beds in community (ARC, HBC) *Scoping the use of underspend of demand driven expenditure in residential care and home-based support to reopen or establish capacity to enable early discharge.*		6.000		2.628	3.736
MH Crisis Response *Expand mental health crisis supports in community that could be supported through primary care or through telehealth supports*	3.000			Weather events funding covering contract costs in 23/24. Will utilise B23 funding from July24 onwards	
CCDM – Safe Staffing *TBC - additional HSS capacity to match acute demand growth as determined in CCDM and safe staffing methodology.*	63.000			52.500 Please note that the CCDM budget is over subscribed, so we have reported only	63.000

Initiative	2023/24 funding ($ millions)	Baseline funding reprioritised to align	Committed 2023/24	Spend to 31 March ($ millions)	Expectation for 2023/24
				the spend to date for the approved budget.	
Other					
Base Employee Cost Uplift, Holidays Act & MECAs[3] (para 14 refers) *As per PSPA guidance including Holidays Act accruals*	606.000			As this is related to ER activities, and Holidays Act remediation, a monthly spend cannot be provided.	

Detailed Financial Risk & Mitigation

Workforce Risks

People and Communications, National Public Health Service, Infrastructure and Investment Group, and Service Improvement and Innovation all share a similar risk profile regarding 'workforce' risks.

These include cost pressures on the workforce (resourcing, vacancies, MECA settlements, pay equity, Holidays Act remediation).

As well as the above risks, vacancies are impacting other parts of the business.

Hospital and Specialist Services face immediate workforce resourcing and cost risks including impact of employment agreement settlements; clinical FTE growth required to maintain service levels and meet quality requirements within the Hospital and Specialist Services (2023/24 budget come following a year with very high vacancy rates).

In the Commissioning space, Aged Residential Care bed reductions are due mainly to staffing shortages, rather than a reduction in demand. Ongoing staffing shortages in all of the contracted sector remain a risk to service delivery.

Other Cost Pressures

Hospital and Specialist Services:

Savings and efficiencies are planned to ensure total cost pressures are affordable.

Hospital and Specialist services have for several years had the benefit of funded PPE provided via central stocks. We are in the process of running down surplus PPE stock through hospitals to the minimum level required for national pandemic preparedness. From July 2024, HSS will need to purchase additional PPE for hospitals and to rotate the stock required for pandemic preparedness.

Commissioning:

a) Funding to the primary and community sector has struggled to keep up with cost pressure growth. Many parts of the funded sector are showing signs of pressure due to workforce shortages and funding models that are no longer fit-for-purpose for the complexity of care required. This is seen across a range of services and sectors including: aged care with Aged Residential Care bed and facility closures, closed books in general practices reducing people's access to early care and intervention, and After-Hours services struggling to cover after-hours rosters, putting pressure on ED.

Infrastructure and Investment Group:

1. There is a risk that rent reviews/renewal negotiations will be settled higher than budgeted allowances.
2. Utilities cost pressure exists in the short to mid term.
3. Maintenance costs are difficult to change in the short to mid term due to the age of facilities around the country and existing contracts in place.
4. Further investment is needed in asset management to fully understand what health infrastructure Health NZ owns and manages.

Budgeted Savings Target Risks

Hospital and Specialist Services

Vacancies carried forward from 2022/23 are not permanent FTE reductions, but reflect acknowledgement of anticipated staff turnover and short-term vacancies arising as a result of natural "churn". There were $197.6 million of carried forward vacancies already factored into Hospital and Specialist Services, these have been increased by $115.2 million for a total vacancy assumption of $312.8 million in 2023/24. This represents 3.1% of all staffing costs for the year. While vacancies do arise naturally, they create difficulties in service delivery, and where backfilled they tend to result in greater costs incurred through high cost of cover than would be incurred normally (e.g.; overtime, incentive payments, use of Bureau staff or Outsourcing etc).

National Public Health Service

a) Ambiguity and ongoing change in alignment of budgets between NPHS and other national services, making it difficult to assess the completeness and sufficiency of the NPHS budget.

b) Higher-level political and policy decisions necessitating implementation of initiatives which were not planned or budgeted.

Service Delivery Risks

Hospital and Specialist Services

Planned care remediation has been approved at $118 million for the FY 2023/24 year, this includes a $110 million IPET. This should mitigate additional costs incurred for planned care volume growth in the current year.

Data and Digital

Out of scope

People and Communications

Risks relating to service delivery include end-of-life systems in payroll, HR and rostering have the risk of failure or requiring significant effort/urgent expenditure to avoid failure.

National Public Health Service

Staff, capability and new ways of working developed during COVID and proposed as part of the NPHS future state, not being retained, which may materially impact on various NPHS service priorities, for example, screening and vaccination levels in priority populations.

Budget pressures requiring further scaling back of the NPHS future operating model which would likely impact frontline resourcing and resultant service.

Risk Mitigations

Table 1a: Hospital and Specialist Services – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Workforce Resourcing	**High**	**21**	Engagement with the Service Innovation and Improvement team to identify unwarranted clinical variation, ongoing Regional and National staff balancing to ensure services are covered.	**Medium**	**13**
Workforce Cost pressures	**High**	**21**	Engagement with People and Culture to understand and address MECA increases above budget. Work with Regional and Group Directors to understand local and regional unbudgeted costs.	**Medium**	**13**

Other Cost pressures	**High**	**17**	Careful variance analysis of expenditure above budget to allow early intervention where costs exceed budget.	Medium	**8**
Procurement and Supply chain risks	**High**	**17**	Engagement with PSC-HTM team to actively manage and prioritise key procurement priorities.	Medium	**8**
Capital Risks	**Medium**	**9**	Engagement with Infrastructure and Investment team will be ongoing to manage all Capital opportunities and risks.	**Medium**	**4**
Planned investment Risks	**Medium**	**13**	Regional and National reviews to ensure alignment with key Priorities and Te Pae Tata are underway.	**Medium**	**4**
Budgeted Savings targets – FSP	**Extreme**	**25**	Achievement of the budgeted savings lines requires careful review to identify opportunities without adversely affecting clinical service delivery. All H&SS Leaders are engaging with this programme.	**High**	**20**
Budgeted Savings targets – Vacancies	**Medium**	**13**	Clinical vacancies will remain opportunistic.	**Medium**	**5**
Service Delivery Risks	**High**	**21**	Service Delivery is dependent on the above staffing risks being mitigated.	High	**14**

Operational Change Risks	**Medium**	**4**	Care is being taken with the design of the operational model to actively avoid operational change risks occurring.	**Low**	**1**

Table 1b: National Public Health Service – Risk Mitigations

Risk Description	Current Risk Rating		Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Workforce and cost pressure risks (A particular risk is the contract end date of 31 October 2023 for many COVID-19 funded staff whose functions / positions are proposed to be replicated in the new structure)	**Hi**	**21**	Maximising the filled position rate for frontline services; Managing position vacancy rates for support and admin positions; Holding back 72 FTE identified non frontline positions as part of rollout of Future state structure; Ensuring appropriate budget accompanies net FTE transfers in to NPHS; Rolling out budgets, budget management, and accurate FTE reporting which reflects future state structure and applying strict monitoring and management; Ensuring absolute clarity of the NPHS budget composition and maximising budget entitlement;		**Hi**	**17**

Risks relating to planned investments	**Hi**	**17**	Managing aggregate budgets across related projects; Pursuing budget bids as appropriate for identified priority projects which don't yet have approved budgets;	**Med**	**13**
Risks relating to Budgeted Savings Targets	**Med**	**13**	Imbedding targets at operational level cost centres Regular financial reporting, and financial accountability and management reviews	**Med**	**8**
Risks relating to service delivery	**Hi**	**17**	In the short term the risk relating to an expected / required enhanced level of public health service delivery is relatively high due to budget uncertainty and the time needed to fully implement the NPHS new structure. The NPHS future structure rollout is being implemented as quickly as possible to avoid prolonged uncertainty among NPHS staff, particularly frontline staff; As noted in prior mitigants above, there is a focus on resourcing and maximising as far as possible frontline services. The previous mentioned budget management strategies will also help resource core services delivery;	**Med**	**13**

Risks relating to managing change	**Med**	**13**	NPHS has a dedicated change management team; The change is being worked through as systematically and quickly as possible;	**Med**	**13**

Table 1c: Commissioning – Risk Mitigations

Risk	Mitigation(s)	Rating
Current system that has underdelivered is reinforced	• Clearly articulate the plan and timelines to engage each sector in conversations to fundamentally redesign design service and funding models, to bring the NZ health system into alignment with the Pae Ora Act health sector principles • Continue to roll out 'new' funding in ways more aligned to the health sector principles • Budget 24 process, moving Health NZ to a fully costed NZHP	Low
Budgeted Saving Target of $90 million not being achieved	• Close monitoring of monthly financial performance and demand activity	High
At-risk services fail	• Focus on specific programmes of work to address key issues for at-risk services 23/24	High
Proposed uplifts will not meet provider expectations	• We continue to work with the sector to target the uplift to areas of significant cost pressure, including the frontline workforce. • Funding review for Aged Care, Home Based Support Services and general practice under Budget 24 will guide decision making with these part of the sector	High

Proposed uplifts will not address key issues of equity of access and outcome and are not targeted	• Work with the Commissioning leadership team to identify areas for investment to improve equity and better target funding	Medium
Providers may withdraw some services	• Understand the impact on other parts of the system (e.g. hospital costs) and redirect expenditure to prevent unnecessary disruption in care	Medium
Workforce issues increase as recruitment continues to be a concern, exacerbated by wage relativities across the board	• Continue to work with the sector and other parts of Health NZ on workforce solutions • Ensure any new funding arising from future government decisions regarding pay parity and pay equity are implemented quickly and well	High
Sector loses confidence that we are moving to new ways of working and funding models, resulting in a deterioration in the relationship	• Continue work programme to implement new, simplified versions of contracts • Make improvements to the annual negotiation process with providers and peak bodies • Manage budget into future years to enable reasonable percentage uplifts aligned to a) real rising costs and b) on a trajectory to long-term sustainability	Medium

Table 1d: Data and Digital- Risk Mitigations

Out of scope

Out of scope

Table 1e: System Improvement and Innovation – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
People, Culture and Capability Risk of lack of workforce capacity and capability to scale up national initiatives and deliver within operational timeframes. Phase 2 of the consultation extended to a later date in the year. Potential delay in work programmes through not being fully resourced. **Likelihood:** Possible **Consequence:** Moderate	**Medium**	**13**	Potentially look to outsourcing with contractors or secondments for key positions	**Medium**	**9**

Data and Digital Systems and Services IT Infrastructure is critical to operating on a national level, the ability sharing information. Cohesive contracts process and systems yet to be established. **Likelihood:** Almost Certain **Consequence:** Minor	**High**	**16**	Anticipate that digital workspace initiatives will resolve some of the concerns; to confirm with Data & Digital plan	**Medium**	**8**
Programmes and Projects Māori and Pacific Pipeline – under delivery due to several factors such as recruitment. Risk detail requires a deep dive with the Equity team. **Likelihood:** Likely **Consequence:** Moderate	**High**	**17**	To confirm with the Equity Team	**Medium**	**12**
Organisational Sustainability The final mapping of costs and FTEs is still subject to refinement and the outcomes of Simplify to Unify	**High**	**17**	Verify with each Tier 3 Director	**Low**	**2**

consultations; any changes however are anticipated to be cost neutral with transfers between other Directorates. **Likelihood:** Likely **Consequence:** Moderate					

Table 1f: Infrastructure Investment Group – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Rent reviews / Right of Renewals negotiations may result in unbudgeted cost increases	**Extreme**	**12**	Health NZ to exit and/or consolidate leases from overall property portfolio. Obtain market info to negotiate lease reviews / renewals. Optimise use of or revenue increases of existing Health NZ property portfolio.	**High**	**5**
IIG continue to use of consultants despite opex savings targets	**High**	**17**	IIG National office to oversee consultant spend to ensure local areas aren't commissioning duplicate work. Business cases are not started unless prioritised nationally. Build in house expertise rather than outsourcing.	**High**	**5**

			Maximising the use of the IPECT funding for consultants in line with the IIG priorities.		
IPECT deliverables have been committed, however the in- principle funding may not be approved by the Minister.	**Extreme**	**22**	IIG is ensuring the required templates and proposal are submitted to the Ministry to demonstrate how the funds have / will be committed and spent in 2023/24 to deliver against the expectations of the appropriations.	**Low**	**3**
Utilities costs are higher than budget as demand and market pricing is largely unavoidable	**High**	**20**	Energy Transition initiatives should reduce exposure but will take time to take effect; Utilities contract renegotiations could reduce prices.	**Medium**	**11**
Savings expectations are not achieved in the 2023/24 year	**High**	**18**	Embedding the new IIG operating model should reduce duplication. Regional leads will have a focus on savings and efficiencies in accordance with National priorities. Monthly reporting and holding business units to account for budgets. Ensuring all budget transfers and IIG costs are correctly accounted for in the budget. Maximising the use of the IPECT funding for consultants in line with the IIG priorities.	**Medium**	**5**

Table 1g: People and Culture – Risk Mitigations

Risk Description	Current Risk Rating	Risk Rating Score	Mitigations	Target Residual Risk Rating	Risk Rating Score
Organisational Change Risk	**Extreme**	**22**	Clear communication of the change process, transparent decision making for staff, and P&C leadership team respond to queries	**High**	**20**
Failure of Critical Payroll Process	**Extreme**	**22**	Implement national ways of working by system to enhance knowledge transfer across country	**High**	**20**
Failure of Critical Health and Safety Process	**Extreme**	**22**	Implement national ways of working with specialisation	**High**	**20**
Disparate Budget systems across country and function	**High**	**17**	Continue to enhance central view and find budgets relating to P&C in other functions budgets	**Medium**	**12**
Legacy End of life payroll related software forcing rapid unplanned expenditure	**High**	**20**	Planning underway to surface all legacy challenges	**High**	**20**
Vendor Risks	**High**	**17**	Purchasing and organising at scale can unsettle existing vendors and drive retaliatory pricing during interim transition phases. Engage with procurement and Data &	**Medium**	**8**

			Digital through the whole planned journey.		
Workforce Bargaining Environment	**High**	**17**	Settle Pay equity and MECA claims efficiently and within budget parameters.	**High**	**17**
Organisational decisions to implement programmes that are unbudgeted to be delivered by P&C	**High**	**20**	Seek budget transfers and clear funding for initiatives	**High**	**20**
Legislative compliance.	**Medium**	**8**	National Holidays Act programme and national ways of working.	**Medium**	**8**
Savings Plan Delivery	**High**	**17**	Focus on being efficiently organised through organisation structure design.	**Medium**	**8**

Appendix 3: Detailed Financial Risks and Mitigation

Risk Area	Risk Description	Key Management Activity – This column here will NOT be included in the Quarterly Report and will be published on the Health New Zealand | Te Whatu Ora website	Any additional comment that should be address only to ELT, Board, Monitors should be included in this column. This column <u>will not</u> be published.
			Out of scope
Financial Management **Risk Owner:** Chief Financial Officer	If Health New Zealand does not meet its financial obligations in a sustainable way, then fiscal losses could occur, resulting in pressure on funding the reform change programme.	The National Finance Work Programme continues to implement integrated financial planning and reporting across Health NZ. Over the last quarter, Health NZ has made progress in the following areas: • **Finance, Procurement, and Information Management (FPIM) system.** 98% of transactional volumes for districts and shared services entities are now integrated onto the new system. Four remaining entities will be migrated onto FPIM by 30/6/24. • **Operational and capital plan for 2023/24.** We have developed a full operational and capital plan, and	The National Finance Work Programme continues to cover a range of items, including: • Re-casting financial reporting into the new Health NZ structure and developing reporting to meet the needs of Management and the Board. • Banking rationalisation (incorporating Cashflow forecasting). • Transactional operations standardisation and rationalisation (payables, receivables, etc.).

Risk Area	Risk Description	Key Management Activity – This column here will NOT be included in the Quarterly Report and will be published on the Health New Zealand | Te Whatu Ora website	Any additional comment that should be address only to ELT, Board, Monitors should be included in this column. This column <u>will not</u> be published.
		improvements have been implemented to enhance cashflow forecasting. The liquidity risk is being managed centrally to ensure that all financial obligations are met on a timely basis. • **Budget and Saving**: We are monitoring financial performance against the budget on an ongoing basis. This ensures that the organisation continues to operate within its means.	• Comprehensive and Integrated Capital Plan Reporting. • Implementation of costing across the whole of Health NZ Hospital and Specialist Services, as per roadmap. • FPIM rollout. Over the last quarter, Health NZ has progressed the following mitigation: • The FPIM Programme is on track, as per the approved plan and budget. We now have 25 out of 29 entities on FPIM, accounting for approximately 98% of transactional volumes. By the end of 2024, we will have transitioned HSAAP payments through FPIM as well. • The 2023/24 Budget developed maps to the functional structure now in place for Health NZ. This enables alignment of delegations and reporting against areas of

Risk Area	Risk Description	Key Management Activity – This column here will NOT be included in the Quarterly Report and will be published on the Health New Zealand | Te Whatu Ora website	Any additional comment that should be address only to ELT, Board, Monitors should be included in this column. This column <u>will not</u> be published.
			accountability and responsibility, allowing for appropriate decision-making and corrective action to be taken when necessary. This ensures ongoing financial sustainability. • Year-end forecast is per the budget at this point in the year. Forecast reporting will be provided from February and onwards. Planned savings have been phased reflecting the months in which they are expected to be achieved, and the full-year savings budget is forecast to be delivered. • Health NZ now has visibility of the full Capital programme inherited from previous DHBs, Shared Services agencies, and the MOH, with enterprise reporting in place. Functional asset portfolios are responsible for implementing the Capex plan, and delegated authorities have been set to ensure

Risk Area	Risk Description	Key Management Activity – This column here will NOT be included in the Quarterly Report and will be published on the Health New Zealand | Te Whatu Ora website	Any additional comment that should be address only to ELT, Board, Monitors should be included in this column. This column <u>will not</u> be published.
			expenditure is appropriately approved. A full Capital plan has been developed for 2023/24 and approved by the Board. This has adequate financing, which enables supplier obligations to be met. • We have implemented improvements in cashflow forecasting, with cash being managed and monitored centrally. This ensures that all financial obligations are met on a timely basis. Cash is also being managed to optimise interest earning.
Out of scope			

Health New Zealand
Te Whatu Ora

July 2024 Documents

Date	Title	Decision on release
2 July 2024	Documents – *Ministers meeting: Financial update*	Released in full.
8 July 2024	HNZ00054404-Aide Mémoire – *May Monthly Performance Report*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – Excerpt provided under section 16(1)(e) of the Act • Page 3, Financial Outlook **Appendix 2** – Released in full. **Appendices 3, 4 and 5** – Withheld in full as out of scope. Document does not contain any financial information.
11 July 2024	HNZ00053413-Briefing – *Roster to Pay Programme – Further Detail*	Some information withheld under the following sections of the Act: • Section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. • Section 9(2)(f)(iv), as its release would harm the orderly and effective conduct of executive government decision making processes. **Appendix 1** – Released in full. **Appendix 2** – Withheld in full as out of scope. Document does not contain any financial information.
11 July 2024	Letter, Minister Reti, *Dissatisfaction with performance of Health NZ*	Released in full.
12 July 2024	Letter, Prof Lester Levy, *Response to Dissatisfaction with performance of Health NZ*	Released in full.

21 July 2024	HNZ00055366- Aide Mémoire – *Lifting performance by empowering our regions*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1, 2 and 3** – Released in full.
22 July 2024	Cabinet Paper, MoH, Improving *the financial performance of Health New Zealand*	Withheld under section 18(d) as is publicly available - Cabinet material: Improving the financial performance of Health New Zealand | Ministry of Health NZ
25 July 2024	Document – *Financial update: Joint Ministers Meeting*	Released in full.
29 July 2024	HNZ00058079 - Aide Mémoire – *Regional Deputy CEOs*	Some information withheld under section 9(2)(a) to protect the privacy of natural persons, including that of deceased natural persons. **Appendix 1** – Released in full.

Ministers meeting:
Financial update

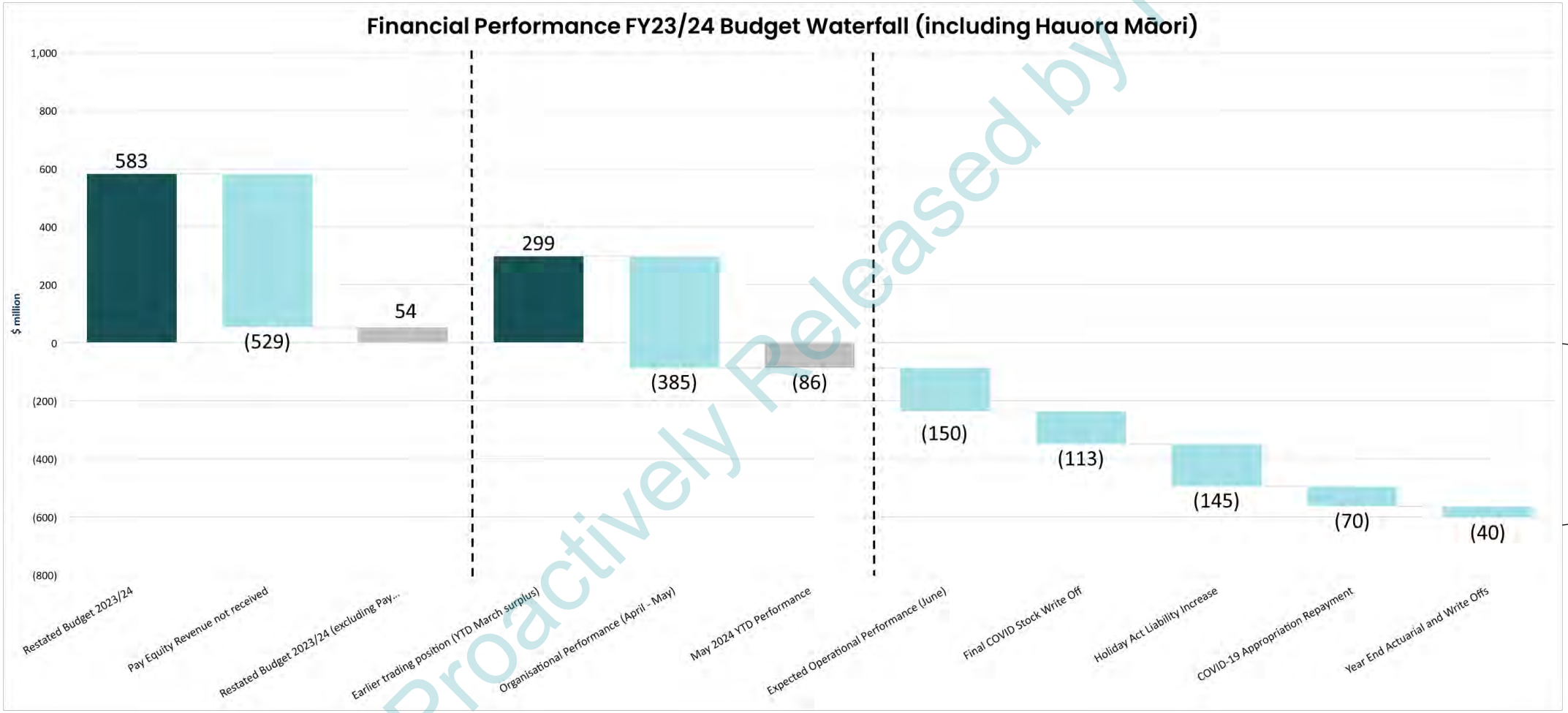
2 July 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Financial performance – expectation of final result for 2023/24

Although June results will not be available for another three weeks, we anticipate a continued decline in performance of around $150m. Coupled with other major adjustments (COVID-19 stock write-off and appropriation repayment, Holidays Act liabilities, and Year-end Write-offs), we are forecasting a $604 million deficit for 2023/24.*



Forecast 2023/24 $604million deficit

*Note that some provisions are subject to valuation at 30 June 2024 and to final audits, hence subject to change.

Financial performance – before March and after March 2023/24

- Prior to February financial performance was measured by the variance from the month-by-month phasing of Health New Zealand's approved break-even Budget.

- The Table below shows that until March, the net result was mapping close to phased-budgets.

- In March, some major adjustments to revenue were made in preparation for year-end results alongside a review of the balance sheet and revenue position. This resulted in a significant release of accrual no longer required ($89m), release of income in advance ($11m), recognition of additional Pharmac revenue ($63m) for catch-up on pharmaceutical cancer treatments and hospital medicines spend, and nursing costs upside ($33m).

Core HNZ result excl Maori

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	YTD Mar-24	Apr-24	May-24	YTD May-24
Net Surplus / (Deficit) in $m	(7)	(5)	22	2	20	(13)	7	78	196	299	(197)	(169)	(67)

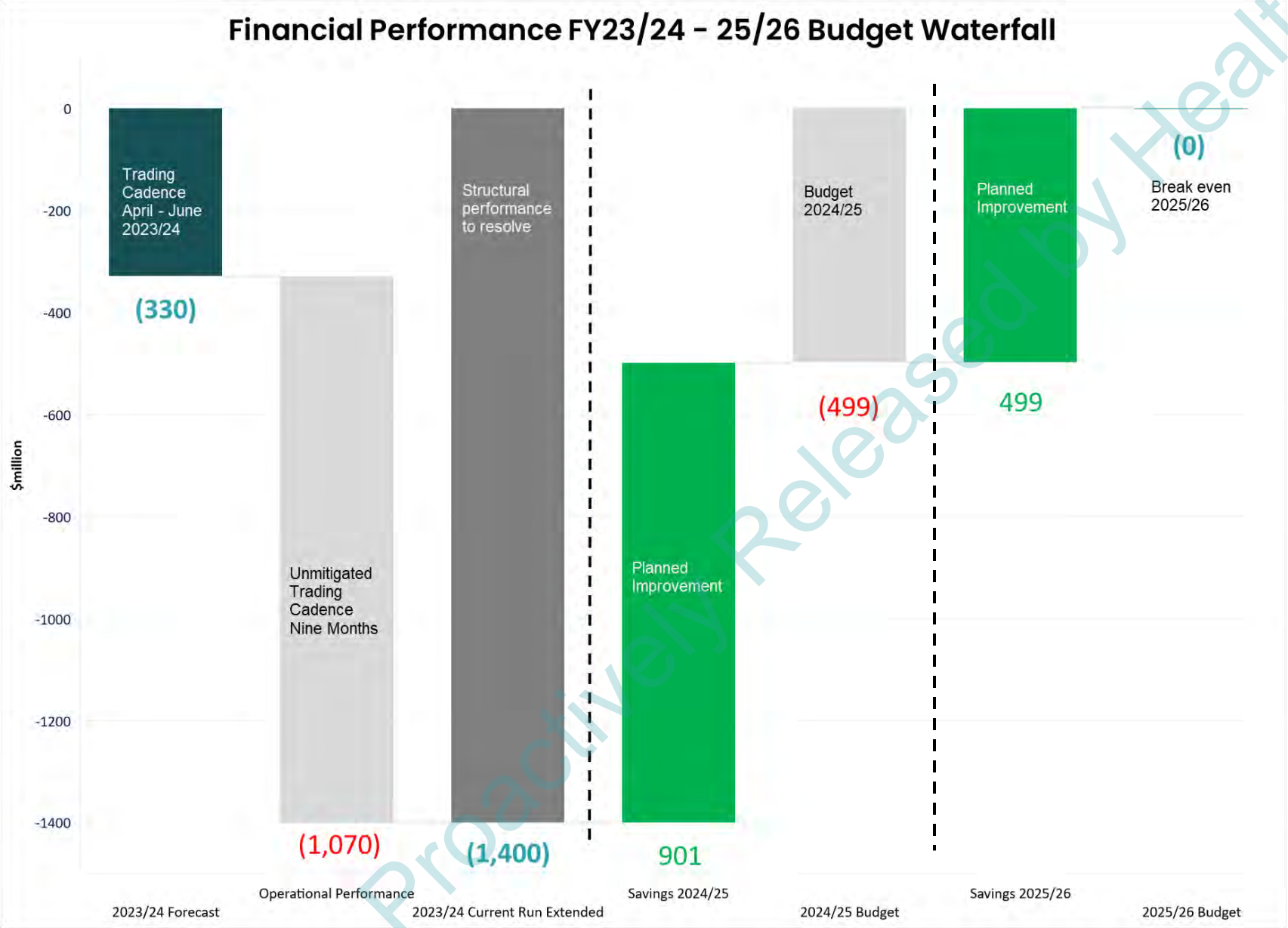
HNZ result incl Maori

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	YTD Mar-24	Apr-24	May-24	YTD May-24
Net Surplus / (Deficit) in $m	(7)	(5)	22	2	20	(13)	7	78	196	299	(202)	(183)	(86)

- It is within March (and after) that a sudden decline in HSS performance begins to surface.

- During this month the target for Financial performance is also shifted to include pay equity revenue.

Moving forwards – 2023/24 to 2025/26



- The budget strategy for Health NZ is to return to a break-even position over the next two years.
- A deficit position will be budgeted for 2024/25 and then a break even in 2025/26.
- This approach will require that savings of *at least* $900million in 2024/25 and $500million in 2025/26.
- A stretch target of $2 billion will be put into forecast for 2024/25 to drive focus.

Aide-Mémoire

Health New Zealand
Te Whatu Ora

May Monthly Performance Report

Due to MO:	8 July 2024	**Reference**	HNZ00054404
To:	Hon Dr Shane Reti, Minister of Health		
From:	Peter Alsop, Chief of Staff		
Copy to:	n/a		
Security level:	In Confidence	**Priority**	Routine
Consulted	n/a		

Contact for further discussion (if required)

Name	Position	Phone	1st contact
Peter Alsop	Chief of Staff	s 9(2)(a)	x
Lisa Williams	Head Strategy Planning and Performance	s 9(2)(a)	

Attachments

Appendix 1:	May Performance Report **
Appendix 2:	May Financial Report
Appendix 3:	Te Pae Tata Milestones *
Appendix 4:	Health Targets *
Appendix 5:	Activity dashboard *

*** N.B. Not in scope, no financial information**
**** N.B. Excerpt released under section 16(1)(e)**

Purpose

1. This Aide-Memoire presents the Health New Zealand | Te Whatu Ora May Monthly Performance report.

Background/Context

2. Our Monthly Performance Reports are structured to align with the six key priorities of the Interim New Zealand Health Plan | Te Pae Tata 2022-2024.
3. Data is reported as of 31st of May.
4. The Board reviewed and discussed the May report at its June meeting.
5. The May report and appendices were shared with the Ministry of Heath | Manatū Hauora, Treasury, DPMC and the Public Services Commission, ahead of the monthly joint Monitors meeting.
6. The monthly meeting includes several Health NZ executives (CE, Finance, People, HSS, Commissioning, SI&I, Chief of Staff & Head of Strategy, Planning & Performance), and provides an opportunity for positive engagement, along with a deeper interrogation from monitoring agencies of performance, the reasoning for results, and Health NZ's plans to remediate negative outcomes.

Next Steps

7. We welcome any questions on, or discussion with you, about our performance reports.

Appendix One – May Performance Report (8 July 2024)

Excerpt of page 3 released under section 16(1)(e) of the Act

2.1 Financial outlook

Health New Zealand (HNZ) continues to focus on the financials for the current year. The May financial update (see Appendix 2) reflects an ongoing unfavourable result for the month in personnel, impacting on the forecast year-end gap. While early indications were showing improvement, this hasn't eventuated in May and the financial position continues to deteriorate.

Internal efforts are significant, to prepare and support a swift turnaround plan. The focus to reduce expenditure immediately, in specific areas is being implemented. For example, as of 13 June, all recruitment of non-patient facing roles has been paused; travel by back-office staff is being scrutinised and minimised; plus, there are other measures in the pipeline. Future financial decisions are linked to Budget 24 initiatives, and these will be available from June.

External communications continue to reassure the public that frontline delivery remains our top priority.

8 July 2024

Monthly Finance Report for Board and Finance Committee

Period Ended 31 May 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Financial Performance Summary:

Issues / Risks:

The May result for the month shows further deterioration, with the core HNZ result for the month $129m unfavourable to target when excluding Hauora Māori result and pay equity costs for Allied Health and Midwifery.

We have been advised that we will not receive $529m of pay equity funding due in the 2023/24 financial year. The revised $583m surplus target result will now be revised to $54m surplus to recognize this.

We will not reach the target budget surplus of $54 million. Instead, we now project a year-end result of $528 million deficit, assuming pay equity revenue will not be received.

Last month's forecast for year end was a surplus of $237m, this was $346m unfavourable to the target budget. The target budget has moved and most importantly the forecast variation to budget for year end deteriorated. The unfavourable position is entirely driven by staff costs above budget . Total overspend year to date in internal and outsourced personnel is $1.1billion, $500m of this relates to pay equity settlements and funding is expected for these. The primary driver of the increase other than pay equity is the number of staff being paid above budget level for both in house and outsourced staff.

Cash:

HNZ Treasury balance (cash on call and term deposits) at 31 May 2024 was $3.335bn. This is significantly higher than expected as revenue for the month of June ($2bn) was received in May due to the timing of the King's birthday public holiday. The balance also includes $194.6m for Hauora Maori services consolidated into HNZ effective 1 April 2024.

Capex:

Capital Expenditure (Capex) for the year-to-date to 30 April 2024 is $1.176bn, against a budget of $2.409bn, thus $1.233bn below plan. Work is ongoing to develop the2024/25 Capex budget and medium Capex intentions and Capex performance is being reviewed as part of the Capex planning processes.

Finance Workplan:

FPIM rollout is now complete with all HNZ components now in FPIM as at 1 June 2024. A Gateway review of the FPIM programme has been completed by Treasury and is overall positive. An update is provided in the CFO report that is an agenda item at this meeting.

Year to Date result and Full Year Forecast Range 2023/24 as at 31 May 2024

Health New Zealand Te Whatu Ora Group $Millions	Month			Year to Date			YTD	Full Year	Year End
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Revised Budget	May Forecast
Revenue									
Appropriations	1,945	1,935	9	21,454	21,304	150	21,101	23,110	23,297
Other Government Revenue	230	214	16	2,653	2,350	303	2,194	2,564	2,881
Third Party Revenue	8	6	2	93	66	27	77	72	101
Other Revenue	48	36	12	517	397	120	403	432	556
Total Revenue	**2,231**	**2,191**	**39**	**24,718**	**24,117**	**601**	**23,774**	**26,178**	**26,835**
Expenditure									
Internal Personnel									
Medical Personnel	283	262	(21)	2,803	2,842	39	2,582	3,096	3,086
Nursing Personnel	428	350	(78)	4,526	3,817	(709)	3,850	4,164	5,025
Allied Health Personnel	153	122	(31)	1,469	1,326	(143)	1,198	1,666	1,644
Support Personnel	31	30	(1)	332	325	(7)	302	354	363
Management & Admin Personnel	152	135	(17)	1,514	1,492	(22)	1,552	1,622	1,666
Subtotal	**1,048**	**899**	**(149)**	**10,644**	**9,801**	**(842)**	**9,484**	**10,902**	**11,784**
Outsourced Personnel									
Subtotal	**57**	**25**	**(32)**	**499**	**267**	**(232)**	**437**	**291**	**532**
Other Operating Costs									
Outsourced Services	76	66	(10)	745	717	(28)	986	781	817
Clinical Supplies	250	182	(68)	2,186	1,959	(227)	2,850	2,389	2,435
Infrastructure & Non-Clinical Supplies	138	127	(11)	1,392	1,378	(13)	1,209	1,505	1,530
Subtotal	**464**	**375**	**(89)**	**4,323**	**4,055**	**(268)**	**5,045**	**4,675**	**4,782**
Primary and Community Services									
Subtotal	**741**	**751**	**10**	**8,154**	**8,219**	**65**	**7,696**	**8,970**	**8,944**
Interest, Depreciation & Capital Charge									
Subtotal	**104**	**109**	**6**	**1,185**	**1,176**	**(9)**	**1,088**	**1,286**	**1,321**
Total Expenditure	**2,414**	**2,159**	**(255)**	**24,804**	**23,519**	**(1,285)**	**23,749**	**26,124**	**27,363**
Core Health NZ Result	**(183)**	**33**	**(215)**	**(86)**	**599**	**(685)**	**25**	**54**	**(528)**
Allied Health pay equity costs still to be funded	*65*		*65*	*333*					
Nursing Pay Equity Wash-up still to be funded									
Midwifery Pay Equity Costs to be funded	*21*		*21*			*21*			
Underlying Result excluding pay equity	***(97)***	***33***	***(129)***	***247***	***599***	***(352)***		***54***	**(528)**
Hauora Maori Services (from 1 April 2024)									
Revenue	85		85	144		144			
Expenditure	71		(71)	125		(125)			
Hauora Maori net result	14	0	14	19	0	19	0	0	
Net Surplus/(Deficit) from Operations	**(169)**	**33**	**(202)**	**(67)**	**599**	**(666)**	**25**	**54**	**(528)**

Comments

- The May result shows further deterioration against target expectations, with the year-to-date (YTD) result unfavourable by $666m (including Hauora Maori and pay equity costs for Allied and midwifery still to be funded).
- Revenue is favourable to budget YTD for ACC, Pharmac, Ineligible patients and COVID funding. There are offsetting costs in staffing and other operating costs.
- Total overspend YTD in internal and outsourced personnel is $1.1billion, with $500m of this relating to Allied and midwifery pay equity settlements - funding is expected for these. The balance of the variance is mainly driven by higher paid full-time equivalents (FTE), mainly in nursing - paid nursing hours are the primary driver.
- The full year target result has been adjusted to $54m as we will not receive funding for pay equity amounting to $529m.
- Our year end forecast result is a deficit of $528m. It is noted the forecast is subject to where the final valuations for staff liabilities land when completed at 30 June 2024.
- An update on management material accounting estimates and judgements is provided in a separate paper on the agenda for this FAC meeting.

Full Time Equivalents – 31 May 2024

Full Time Equivalents as at 31 May 2024

Health New Zealand Te Whatu Ora

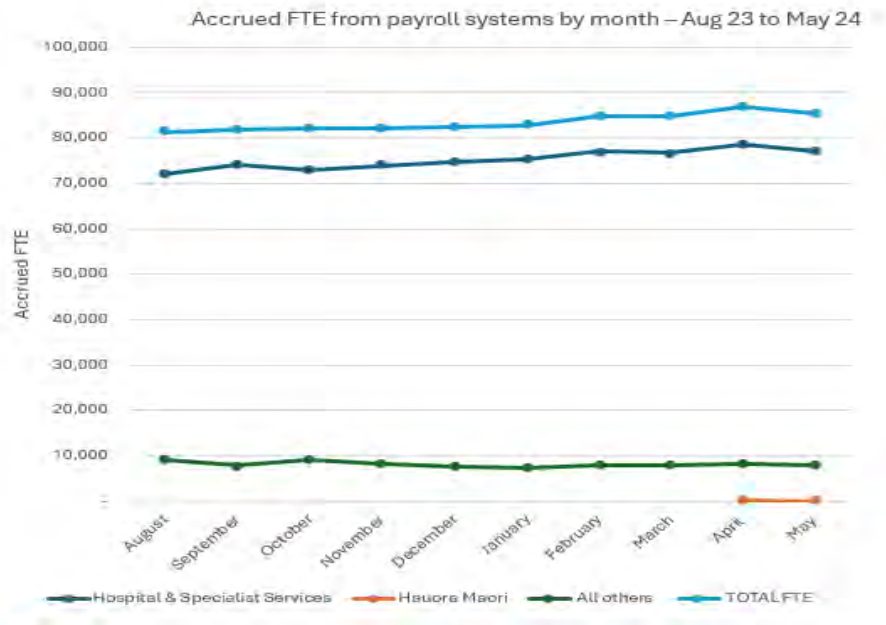
	Month			Year to Date			YTD	Full Year
	Total Actual	Total Budget	Variance	Total Actual	Total Budget	Variance	Last Year Actuals	Budget
FTE								
Medical Personnel	10,883	11,186	303	10,809	10,932	123	10,546	10,958
Nursing Personnel	38,387	36,444	(1,943)	37,725	36,509	(1,216)	34,984	36,503
Allied Health Personnel	14,803	14,856	53	14,172	14,599	427	13,867	14,625
Support Personnel	4,555	4,435	(120)	4,549	4,481	(68)	4,382	4,476
Management & Admin Personnel	16,450	16,289	(161)	15,866	16,249	383	16,022	16,245
Core HNZ Staffing	**85,078**	**83,210**	**(1,868)**	**83,121**	**82,770**	**(351)**	**79,801**	**82,807**
Hauora Maori	248		(248)	254		(254)		
Total	**85,326**	**83,210**	**(2,116)**	**83,375**	**82,770**	**(605)**	**79,801**	**82,807**

Comments

- Accrued FTEs are the financial FTE measure pulled from monthly payroll data. Month by month this varies based on how much leave is taken, however over a year the trend is correct.
- For the month of May, HNZ core staffing (excluding Hauora Maori transfers) FTEs are 1,943 over budget for nursing and 1,868 over budget for total staffing.
- The data in the table to the right shows that there has been significant growth in accrued FTEs in Hospital & Specialist Services, about 7% from August 2023 to May 2024.
- We will triangulate this data with contract and headcount FTE data plus recruitment pipeline measures.
- Accrued FTEs for all other areas have reduced over the same period, circa 10%.

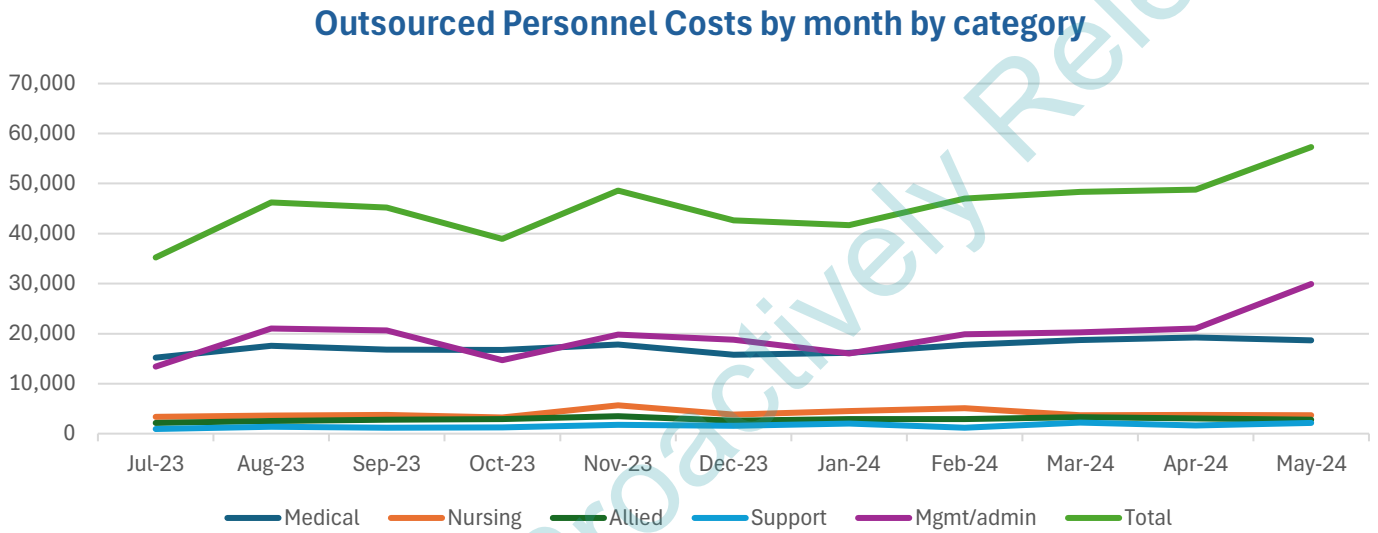
Accrued FTEs	Hospital & Specialist Services	Hauora Maori	All other groups	TOTAL FTE
August	72,141		9,180	81,321
September	74,131		7,830	81,961
October	72,969		9,122	82,090
November	73,928		8,168	82,096
December	74,679		7,695	82,375
January	75,431		7,411	82,842
February	76,944		7,902	84,846
March	76,700		7,993	84,693
April	78,589	261	8,101	86,951
May	77,030	248	8,047	85,325

FTE Growth Current Year



Outsourced Personnel: Month and YTD spend by type

$M	May 2024			Year to date		
Type	Actual	Budget	Variance	Actual	Budget	Variance
Medical	19	10	(9)	190	108	(82)
Nursing	4	1	(3)	44	10	(34)
Allied Health	3	1	(2)	32	10	(22)
Support	2	1	(1)	18	6	(12)
Management / Administration	30	12	(18)	215	134	(81)
Total	**58**	**25**	**(33)**	**499**	**268**	**(231)**



Notes

1. Trends of cost per month are consistent for outsourced Medical, Nursing, Allied Health and Support
2. $11m of the $18m overspend in the month for management and administration personnel relate to Holidays Act, COVID, HSAAP and public health services that are covered by revenue above budget. The balance is under investigation.

Outsourced Personnel: Month and YTD Full Time Equivalents (FTEs) by type

$M	May 2024			Year to date		
Type	Actual	Budget	Variance	Actual	Budget	Variance
Medical	532	273	(259)	491	269	(222)
Nursing	289	70	(219)	322	69	(253)
Allied Health	220	70	(150)	224	69	(154)
Support	337	89	(248)	229	87	(142)
Management / Administration	2,151	851	(1,300)	1,427	837	(590)
Total	3,529	1,353	(2,174)	2,693	1,331	(1,360)

Cash Flows & Balance Sheet as at 31 May 2024

Group Cash Flow Statement for the YTD to	($M)	Month Mvmt
Cash Flows From Operating Activities		
Cash was provided from:		
Appropriations	22,533	
Other Government	3,871	
Receipts from Customers	696	
	27,100	
Cash was applied to:		
Payments to Employees	11,544	
Payments for Hospital Supplies	5,377	
Payments to Community Providers	8,483	
	25,403	
Net Cash Flows from Operating Activities	**1,697**	
Cash Flows From Investing Activities		
Cash was provided from:		
Interest Received	176	
Sale of Fixed Assets	18	
	194	
Cash was applied to:		
Purchase of PPE and Investments	**1,374**	
Net Cash Flows from Investing Activities	**(1,180)**	
Cash Flows From Financing Activities		
Cash was provided from:		
Equity Injections re Capital	957	
Other Non-Current Liability and Equity Movements	(3)	
	954	
Cash was applied to:		
Interest Paid	33	
Finance leases and other debt	4	
	37	
Net Cash Flows from Financing Activities	**917**	
Net Cash Flows from All Activities	**1,426**	
Cash at Beginning of Period	2,180	
Cash at 31 May	**3,606**	

Group Balance Sheet as at 31 May 2024	($M)	Month Mvmt
Current Assets		
Cash represented by:		
Cash - BNZ Sweep	3,530	
Cash - Trusts and Other Accounts	48	
Short Term Investments less than 3 months	28	
	3,606	
Other Short Term Investments	32	
Prepayments	154	
Debtors	575	
Inventory	303	
Other	4	
	4,674	
Current Liabilities		
Creditors	1,330	
Income in Advance	2,241	
Capital Charge Payable	202	
GST Input/Output Adjustments	143	
Payroll Accruals (unpaid days)	291	
Employee Deductions Liability (PAYE, Kiwisaver)	166	
Employee Entitlements	449	
Accrued Leave, including LSL & Holidays Act	3,496	
Other Provisions, Term Loans and Financial Liabilities	31	
	8,349	
Net Working Capital	**(3,675)**	

Group Balance Sheet as at 31 May 2024 (cont'd)	($M)	Month Mvmt
Non Current Assets		
Land	1,720	
Buildings and Plant	8,751	
Clinical Equipment	713	
Other Equipment	138	
Information Technology	97	
Software	277	
Motor Vehicles	25	
Work in Progress	2,500	
Investments in Subsidiaries and Associates	3	
Long Term Investments	63	
Other	59	
	14,347	
Non Current Liabilities		
Employee Entitlements - Non Current Portion	296	
Term Loans	98	
Other	5	
	398	
Net Funds Employed		
Crown Equity	8,545	
Capital Injections	957	
Revaluation Reserve - Land	1,637	
Revaluation Reserve - Buildings	5,536	
Other	180	
Retained Earnings	(6,579)	
	10,275	

Commentary on significant movements in the month in the Cashflow Statement and Balance Sheet:

- Appropriation revenue is significantly higher due to funding for the month of June being received in May (thus 2 payments in the month), this earlier receipt for June was due to timing of the king's birthday holiday. This also results in a higher BNZ Sweep balance under current assets and, this is treated as income in advance under current liabilities.
- The opening cash balance now includes $137.2m Hauora Maori cash following consolidation into HNZ on 1 April 2024.
- Capital Charge payable reflects monthly accruals for the anticipated Capital Charge invoice from MoH.
- Capital injections increase from last month ($57m) mainly reflect equity claims for Crown funded projects.
- Holidays Act provision increases included in Accrued leave balances reflect uplifts for remediation payments.

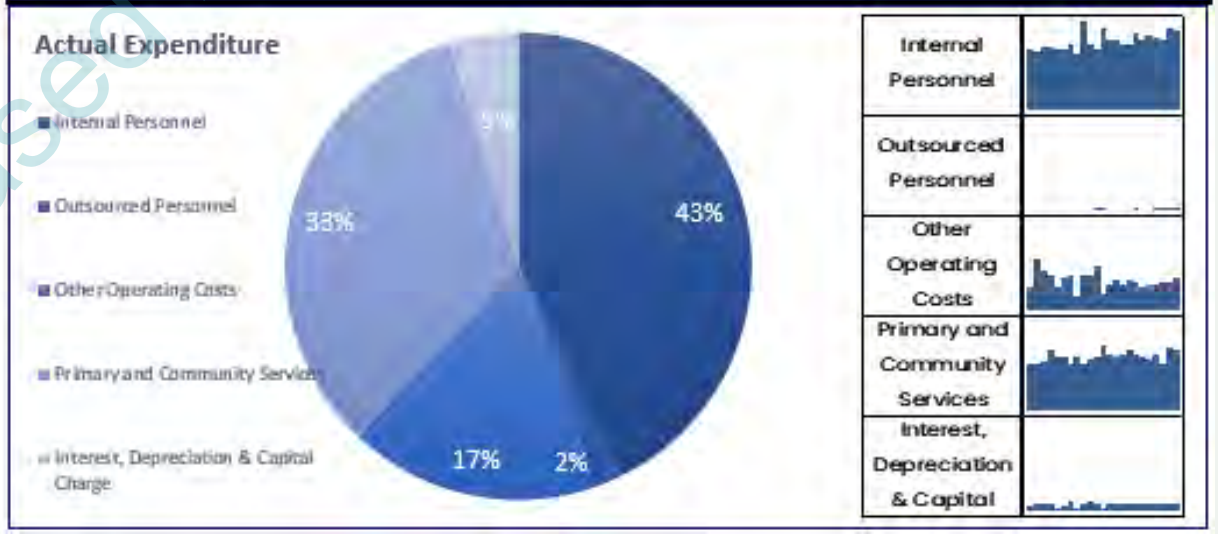
Finance Dashboard: May 2024

Result	Actual $m	Budget $m	Variance $m
Month	(169)	(25)	(145)
YTD	(67)	(12)	(55)

Staffing	Actual	Budget	Variance
FTE Month	85,325	83,210	(2,115)
$m Month	1,052	956	(95)

Month

YTD



Result by Function

Te Whatu Ora
Health New Zealand

Expenditure by Function: May 2024

	Month - Expenditure $m			Year To Date - Expenditure $m			Month
Function	**Actual**	**Budget**	**Variance**	**YTD Actual**	**YTD Budget**	**Variance**	**FTE**
Commissioning: Primary & Community	697	765	68	8,065	8,364	299	*651*
Data & Digital	66	74	9	686	813	127	*1,961*
Finance	3	26	23	(34)	273	307	*882*
Hospital & Specialist Services	1,396	1,197	(199)	14,164	13,000	(1,164)	*77,030*
Infrastructure & Investment	68	64	(4)	739	681	(58)	*773*
Internal Audit & Assurance	1	1	0	9	11	2	*46*
National Public Health Service	23	32	9	312	338	26	*1,223*
Office of the CE & Governance	3	(0)	(4)	37	41	4	*233*
Pacific Health	(12)	4	16	45	49	4	*144*
People & Culture	31	29	(2)	318	306	(12)	*1,447*
Service Improvement & Innovation	4	8	4	72	91	18	*340*
Hauora Maori	71	0	(71)	125	0	(125)	*248*
Others	134	15	(119)	391	163	(228)	*348*
Total	**2,485**	**2,216**	**(269)**	**24,929**	**24,130**	**(799)**	***85,325***

Comments

This is the expenditure view. In 2024/25 we will move to P&L view by function with revenue included.

Note:

- The Hospital & Specialist services function result for the month contains $76m of pay equity costs above budget that will be funded in the future by revenue. This gives an underlying cost overrun of $123million for the month for H&SS function.
- Hauora Maori has funding and the unfavourable expenditure variance for month and year to date is offset by revenue
- The overspend in Others is offset by additional revenue and mainly relates to COVID.

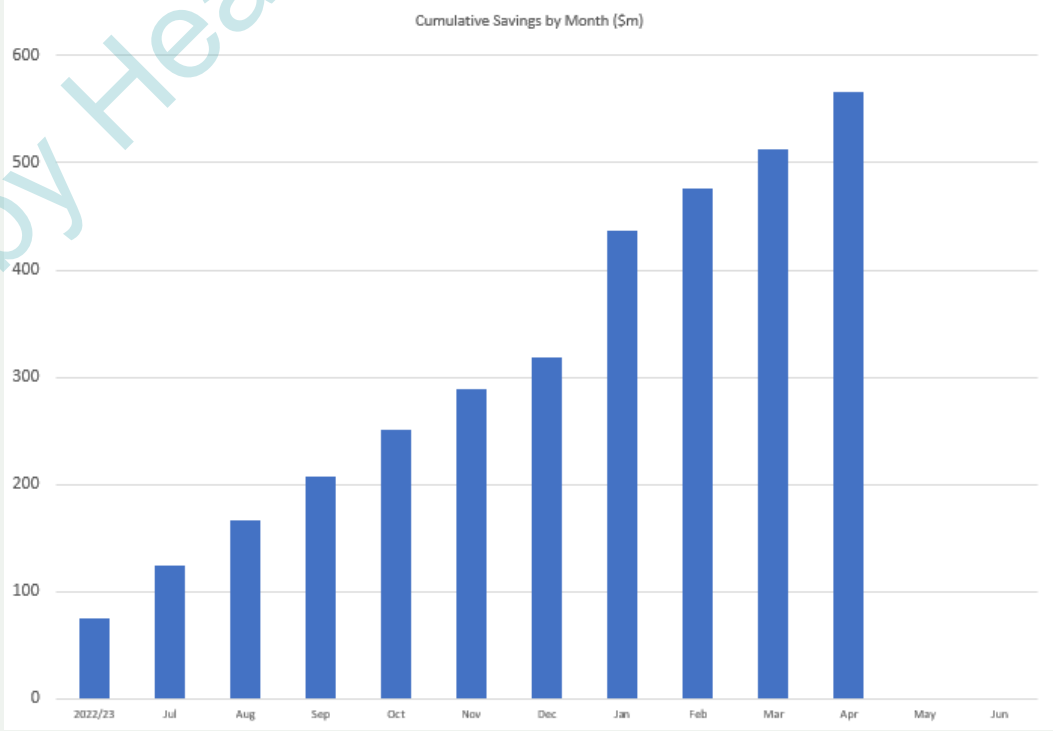
Consolidated Savings Report & Trends YTD to Apr-24

YTD Savings to 30 April

(Savings for May are being finalised)

Drivers of savings	YTD savings ($m)	YTD Target ($m)	Annual Target ($m)	Full Year Forecast ($m)	Notes
Savings achieved in 2022/23	**115.83**			**139.00**	**Annualised savings from clinical supplies procurement, consolidation of back-office arrangements, Data & Digital system contract rationalisation.**
Organisational change, optimisation and contingent workforce reductions	57.76	86.12	138.15	82.65	Budget reductions booked in Simplify to Unify Phase 1 changes i.e. Commissioning, Infrastructure & Investment, P&C and Finance, simple business process redesign, reduction in consultancy, outsourcing contractors. Includes corporate savings achieved in 22/23 carried forward.
Vacancies reduction	76.99	98.88	118.65	93.65	Removal of vacant positions. Management and admin cost reduced by 952 FTE July 23 compared to July 22.
Business Improvement	2.22	100.00	120.00	20.00	Modernising the way we work. Shifting resources to the frontline. Previously referred to as HSS efficiency.
Commissioning consolidation	75.00	75.00	90.00	90.00	Commissioning base underspend and service reviews. Reprioritisation to winter initiatives and approved Board priorities.
Clinical supplies optimisation	24.58	80.75	74.00	20.00	Supply consolidation, product standardisation, demand reduction, price harmonisation and leveraging economies of scale.
Additional unplanned savings and budget improvements from reviews	209.50			211.70	Cost savings and revenue uplifts achieved through consolidation of regional and national budgets/functions. Enhanced visibility and subsequent re-prioritisation of previous local budgets is resulting in improved revenue and expenditure trends.
Revenue Maximisation	4.65			7.00	ACC invoicing catch-up invoicing and debt collection
Total Savings 1 Jul-23 to 30 Apr-24	**450.69**	**440.74**	**540.80**	**525.00**	
Cumulative savings 1 Jul-22 to 30 Apr-24	**566.53**			**664.00**	

Savings Trends



Consolidated Savings Report (cont'd)

Commentary

The savings/benefits realisation tables include cumulative savings realised from 1 July 2022 and give a view of tracking of savings to budget and also forecast year end savings against the full year target.

Key points

- In 2022/23 savings of $75m were generated in year, with the full annualised value of $139m of savings being built into the base budget for 2023/24 and being fully realised in the year.
- In addition to this, a further $540m of ongoing savings have been built into the 2023/24 budget.
- In the ten months to April, $451m savings (including unplanned savings and budget improvements) have been realised against the $540m target.
- Cumulatively, $567m savings have been realised, with $116m being phased annualised savings from 2022/23 and $451m savings YTD May-24.
- The forecast cumulative savings for the period from 1 July 2022 to 30 June 2024 is $664m.

Application of savings and efficiencies

The savings have been applied widely and used to cover specific initiatives including delivering more front-line services and to cover cost pressures experienced above the funded levels.

Specific initiatives approved by the Board and joint Ministers of Health/Finance funded from savings amount to $232m and include Immunisation, Pacific & Maori Outreach Services, A&M Standardisation, Acute Care pathway, community Allied Health, increased Community Radiology, Mental Health Crisis Response, CCDM Safe Staffing, Patient Flow Improvement, Planned Care Pathways, Workforce Action Plan, Maori & Pacific Health Equity Pipeline and Implementation of Breast Screening Recommendations.

Cost pressures also covered by savings realised include additional depreciation, significant increased costs for Blood Services, additional sick leave costs due to COVID, impact of the Queens Memorial Public Holidays, uplifts for commissioned services, high inflation flowing through to maintenance and clinical supply costs plus Collective employment and pay equity settlements.

Additional frontline delivery staff have increased by over 4,000 year on year to cover additional volumes; investment in immunisation, workforce, waitlist, winter pressures and safe staffing.

Capital Expenditure (Capex) YTD April 2024

Capex performance is summarised in the table below. Adjustments to the approved Capex budget reflect new Capex items approved, substitutions, use of contingency and anomalies resolved. Detailed reviews of Capex forecasts are underway as part of the 2024/25 Capex Budgeting process, having considered status of business case development and approval, procurement processes and capacity.

Table 1: Consolidated Capex Performance (by asset class) for the ten months ended 30 April 2024:

(-ve) - spend below Capex budget / (+ve) spend above Capex budget

Amounts in $ Millions	2023/24 YTD Capex Perfomance				2023/24 Full Year Capex Budget, Budget Changes and Forecasts				
Asset Category	**Actual**	**Budget**	**Variance (YTD Actual to Budget)**	**Commit-ments**	**2023/24 Budget**	**Budget Changes**	**Revised Budget**	**Forecast ***	**Variance (Forecast to Revised Budget)**
Clinical Equipment	178.73	372.85	(194)	67.63	427.09	10.98	438.07	375.79	(62)
Facilities	905.10	1,606.85	(702)	1,090.07	1,968.98	318.66	2,287.64	1,659.10	(629)
ICT (incl. Software)	71.96	357.30	(285)	28.88	431.61	15.29	446.90	352.93	(94)
Motor Vehicles	6.26	14.84	(9)	1.58	20.32	1.39	21.72	19.81	(2)
Other Equipment	8.16	19.15	(11)	2.80	23.09	2.85	25.95	17.89	(8)
Contingency / Pooled Funds	6.19	38.14	(32)	1.69	49.07	2.09	51.16	30.28	(21)
Total	**1,176.41**	**2,409.13**	**(1,233)**	**1,192.65**	**2,920.17**	**351.27**	**3,271.44**	**2,455.81**	**(816)**
National Capex Pool					129.50	-113.70	15.80	60.00	44
National Contingency budget					50.00		50.00	50.00	
Total	**1,176.41**	**2,409.13**	**(1,233)**	**1,192.65**	**3,099.67**	**237.57**	**3,337.24**	**2,565.81**	**(771)**

2023/24 Capex Report YTD April 2024 (cont'd)

Table 2: Capex Report (by region / district) for the ten months ended 30 April 2024:

Amounts in $ Millions

Region	District	YTD Actual	YTD Budget	Variance (YTD Actual to Budget)	Purchase Order Commitments	Full Year Forecast 2023/24 -
Northern	Te Tai Tokerau	39.63	51.84	(12.21)		55.07
	Waitematā	169.01	249.02	(80.01)	155.46	277.50
	Te Toka Tumai Auckland	163.11	340.78	(177.67)	183.84	323.50
	Counties Manukau	104.12	200.41	(96.29)	214.35	195.18
Sub-Total		**475.86**	**842.05**	**(366.19)**	**553.65**	**851.24**
Te Manawa Taki	Waikato	53.69	161.57	(107.89)	138.40	191.42
	Hauora a Toi Bay of Plenty	20.53	54.25	(33.72)	17.92	55.50
	Lakes	19.31	58.45	(39.14)	3.94	64.71
	Tairawhiti	2.63	17.87	(15.25)		3.34
	Taranaki	115.86	171.97	(56.10)	131.64	177.21
Sub-Total		**212.02**	**464.12**	**(252.10)**	**291.91**	**492.19**
Central	Te Matau a Maui Hawkes bay	19.19	38.66	(19.47)	16.95	42.72
	Whanganui	7.26	20.93	(13.67)	2.21	13.98
	Te Pae Hauora o Ruahine o Tararua	47.70	155.85	(108.15)	51.92	108.01
	Wairarapa	0.51	8.09	(7.58)	0.42	8.69
	Hutt Valley	17.56	39.63	(22.08)	4.54	44.97
	Capital & Coast	58.92	76.26	(17.33)	1.99	109.08
	Central Region TAS					
Sub-Total		**151.14**	**339.42**	**(188.29)**	**78.02**	**327.45**
Te Waipounamu	Nelson Marlborough	16.87	50.03	(33.16)	14.26	63.12
	Te Tai o Poutini West Coast	4.32	10.84	(6.52)	1.38	8.40
	Waitaha Canterbury	63.50	96.39	(32.89)	32.20	85.19
	South Canterbury	3.68	9.26	(5.58)	1.95	15.79
	Southern	22.26	57.76	(35.50)	12.19	35.93
	Brackenridge Estate Ltd		0.61	(0.61)		
	Canterbury Linen Services		0.27	(0.27)		
Sub-Total		**110.63**	**225.15**	**(114.52)**	**61.98**	**208.43**
National	National Data & Digital	66.53	348.93	(282.40)	27.63	344.53
	IIG	160.23	189.45	(29.22)	179.46	228.97
Sub-Total		**226.76**	**538.38**	**(311.62)**	**207.09**	**573.50**
Total		**1,176.41**	**2,409.13**	**(1,232.72)**	**1,192.65**	**2,452.81**
National Capex Pool						60.00
National Contingency budget						50.00
Total		**1,176.41**	**2,409.13**	**(1,232.72)**	**1,192.65**	**2,562.81**

Comments

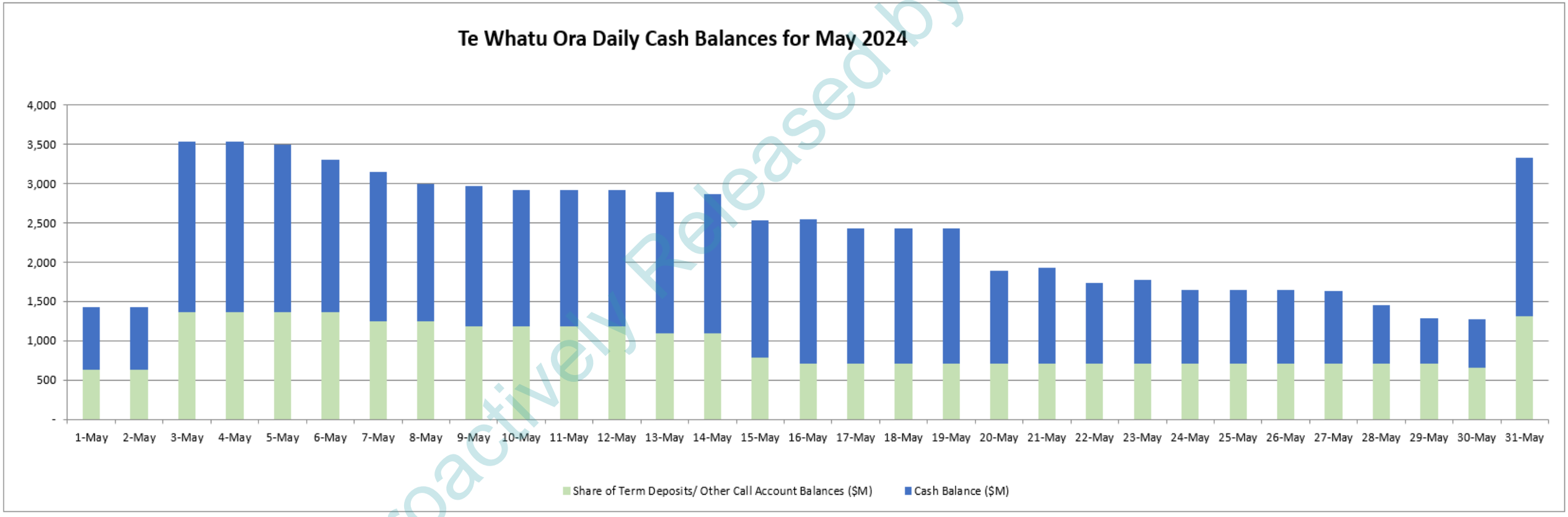
- Capex under-delivery is a widespread issue for HNZ.
- Key drivers for under budget performance include:
- Timing of Capex approval in Oct-23 resulting in delays in commencing projects
    - Timing of development and approval of business cases
    - Timing and delays in procurement processes
    - Timing approval of project variations and funding for variations in cost
    - Capacity issues
    - Supply chain delays
    - Project resourcing availability
    - Low maturity in cashflow forecasting and phasing for Capex/projects
- Review of Capex performance for 2023/24 and Capex planning for 2024/25 will include more focus on phasing of Capex to ensure capacity considerations within HNZ and the industry is considered.
- Work will be completed to simplify business case development and approval processes and combined procurement opportunities will be explored.
- Draft nationally prioritised Capex plans have been developed for at asset portfolio level and these will be reviewed and prioritized nationally to form the HNZ Capex budget to be recommended to the Board for approval.

Cash Balances for the month of May 2024

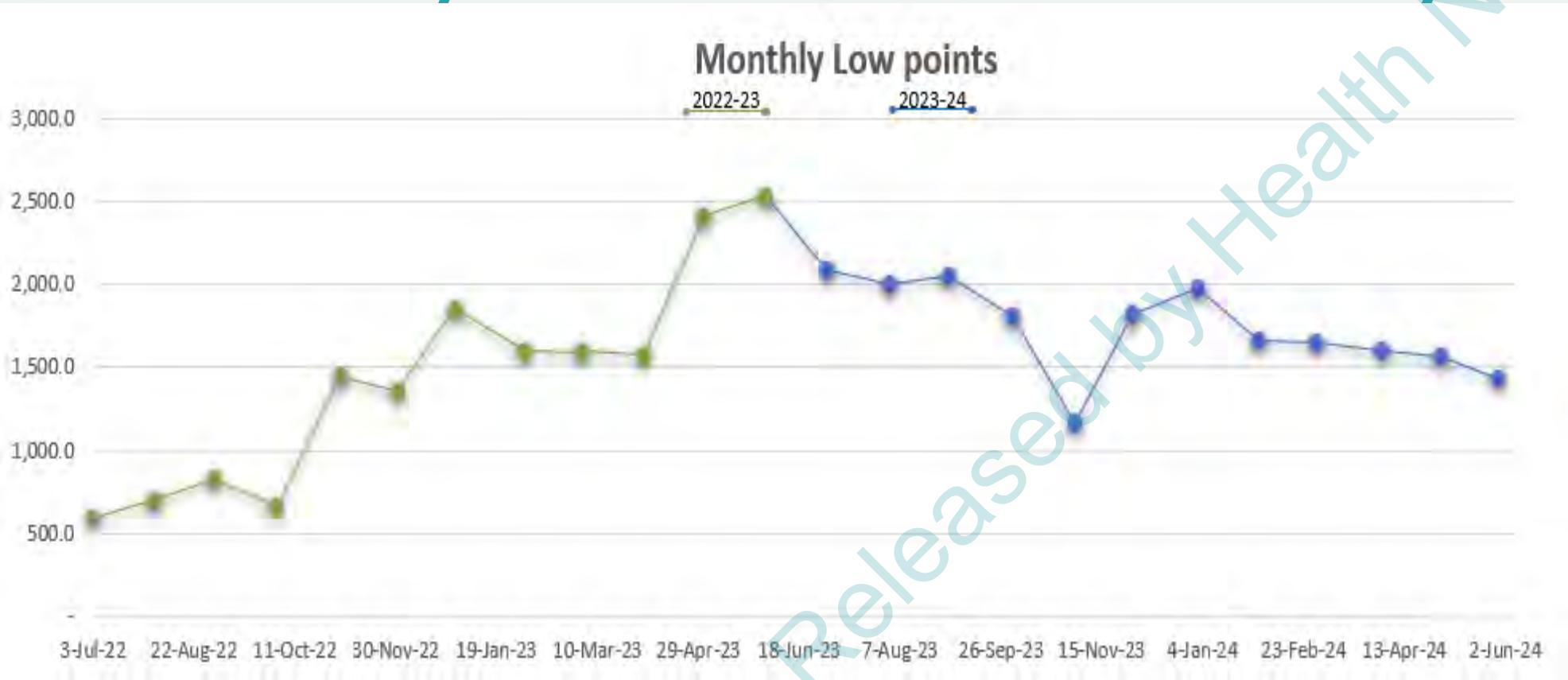
Te Whatu Ora Daily Cash Balances for May 2024

Balance at 31/05/2024 $3335.7m

Date	1-May	2-May	3-May	4-May	5-May	6-May	7-May	8-May	9-May	10-May	11-May	12-May	13-May	14-May	15-May	16-May	17-May	18-May	19-May	20-May	21-May	22-May	23-May	24-May	25-May	26-May	27-May	28-May	29-May	30-May	31-May
Cash Balance ($M)	791	792	2,167	2,167	2,140	1,940	1,897	1,741	1,792	1,735	1,735	1,735	1,791	1,776	1,745	1,832	1,716	1,716	1,716	1,175	1,213	1,022	1,062	928	928	928	925	741	575	610	2,024
Share of Term Deposits/ Other Call Account Balances ($M)	632	632	1,362	1,362	1,362	1,362	1,252	1,252	1,177	1,177	1,177	1,177	1,097	1,097	782	712	712	712	712	712	712	712	712	712	712	712	712	712	712	662	1,312
HNZ Total Treasury Balance ($M)	1,423	1,424	3,529	3,529	3,502	3,302	3,149	2,993	2,969	2,912	2,912	2,912	2,888	2,873	2,527	2,544	2,428	2,428	2,428	1,887	1,925	1,734	1,774	1,640	1,640	1,640	1,637	1,453	1,287	1,272	3,336



Cash Monthly Low Points 1 Jul-22 to 31 May-24

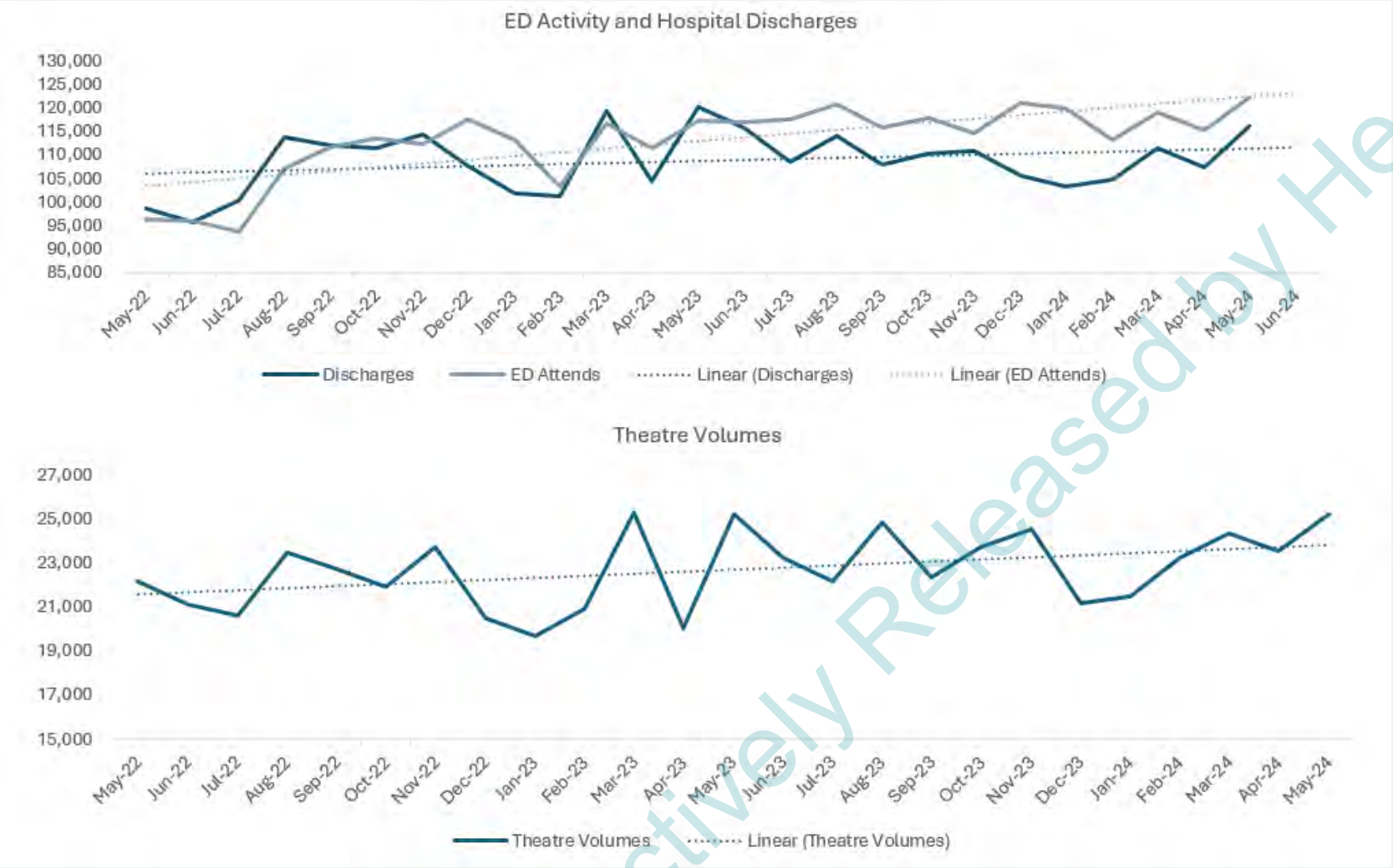


Date	Low Point	Change since the start of the Financial Year
03/07/2022	593.9	-
02/08/2022	704.6	110.7
01/09/2022	829.3	235.4
02/10/2022	661.9	68.0
02/11/2022	1,448.2	854.4
01/12/2022	1,357.9	764.0
29/12/2022	1,855.5	1,261.6
02/02/2023	1,603.5	1,009.6
02/03/2023	1,597.8	1,004.0
02/04/2023	1,573.5	979.6
02/05/2023	2,417.2	1,823.3
01/06/2023	2,544.4	1,950.5
02/07/2023	2,084.1	-
02/08/2023	2,006.0	(78.1)
31/08/2023	2,052.6	(31.5)
02/10/2023	1,815.3	(268.8)
02/11/2023	1,164.8	(919.4)
30/11/2023	1,826.9	(257.3)
02/01/2024	1,973.8	(110.3)
01/02/2024	1,664.5	(419.7)
29/02/2024	1,651.0	(433.2)
02/04/2024	1,599.0	(485.1)
01/05/2024	1,565.2	(519.0)
30/05/2024	1,432.6	(651.5)

Commentary:

- The HNZ Treasury balance (cash on call and term deposits) steadily increased in 2022/23. However, there is a steady reduction in monthly low points in 2023/24, with a gradual decrease in cash immediately before funding injection on the 3rd of each month.
- The dip and recovery from September 2023 to January 2024 was due to timing differences between payments for Pay Equity settlements and receipt of funding from MoH.
- The table on the right shows monthly changes in cash position since the start of each financial year.
- A cash balance of $137m for Māori Health Authority was transferred in on consolidation from 1 April 2024.
- We will prepare cashflow forecasts as soon as the 2024/25 budget is finalized and phasing completed, including a high-level forecast for separate cashflows from Capital activities versus operational activities for this to be monitored.

Activity (Preliminary information) – May 2024



Initial Observations - May 2024 Activity

- Inpatient discharges were the highest since May 2023
- Operating theatre throughput was the highest since May 2023 and theatre time was the highest month in the 2-year period reviewed
- ED attendances in May were also the highest number in the 2-year period reviewed
- Further information will be available later this week

Briefing

Health New Zealand
Te Whatu Ora

Briefing: Roster to Pay Programme – Further Detail

Due to MO:	11 July 2024	Reference	HNZ00053413
To:	Hon Nicola Willis, Minister of Finance Hon Dr Shane Reti, Minister of Health		
From:	Margie Apa, Chief Executive Officer		
Copy to:	N/A		
Security level:	In Confidence	**Priority**	Urgent
Consulted	The Treasury, Ministry of Health		

Contact for further discussion (if required)

Name	Position	Phone	1st contact
Margie Apa	Chief Executive Officer	s 9(2)(a)	x
Andrew Slater	Chief People Officer	s 9(2)(a)	

Purpose

1. This briefing responds to your letter to provide you with further detail as requested of Health New Zealand | Te Whatu Ora's upgrade to its payroll and rostering systems.

2. It also provides the agreed report back detailed in Briefing – Health New Zealand Data and Digital Budget 2021 – reallocation and drawdown (HNZ00044171 – rec h).

Summary

1. The rostering and payroll systems are not fit for purpose. The formation of Health NZ has exposed significant variation in rostering practice and processes nationally, including more than 35 rostering, time and attendance, and awards interpretation systems serving more than 90,000 employees. Accordingly, de-risking, stabilisation, standardisation and modernisation of our roster to payroll systems is a key priority for Health NZ.

3. There are also a wide range of benefits and outcomes from implementing a modern and compliant roster to pay system, such as increases in productivity and accuracy through a reduction in manual processes, improved visibility of workforce data nationally, and greater economies of scale and efficiencies.

4. Health NZ is facing a variety of significant risks and issues across the roster to pay landscape:

    a. We are currently operating payroll in eight locations on an end of life PSe solution that has very limited ongoing support. Best case the last of these locations would be migrated in three years, dependent on ongoing funding. There is a high risk of failure of one or more of these locations – either failure to comply to any changes in legislation or tax, or a system failure leading to an inability to pay staff;

    b. The rostering landscape is largely paper based outside of the Auckland region and fragmented and inconsistent, leading to weak controls over staffing cost in some locations. This contributes to difficulty in managing to payroll budgets and financial risk until rostering solutions can be implemented. Best case this is a 3-5 year project, and it cannot start until funding is secured for this element (currently forecast FY25/26), we have demonstrated in the last two years significant pay back when rostering is implemented.

    c. Any payroll implementation is risky, risk is heightened in environments with a high percentage of rostered staff, inflexible and complex union awards, and where implementations are completed under time pressure. Health NZ includes all of these risk factors. There are mitigations in that we propose consolidating onto existing systems already operated by Health NZ, and securing deep payroll expertise to assist with the migration. Nevertheless, it remains a high risk delivery project.

5. $25.1 million in funding was reprioritised by Ministers to assess options, agree a way forward and begin the upgrading of our payroll and rostering systems. The Roster to Pay programme has now provided a work programme structure and timeline, outlining priorities and sequencing for the next 12 months utilising this funding.

6. The budget provided is sufficient to commence migration of some PSe payrolls, complete business case development for other elements, and complete planning for rostering improvement. Little implementation progress on rostering systems can be made within the allocated budget, and completion of migration off PSe will be dependent on out-year funding.

7. On current plans, progress would be financially constrained. PSe remediation would be slowed to fit within the budget available in FY24/25, and little rostering work would be commenced until the larger business case is approved.

8. The majority of the expenditure will be on project staffing, with a small element of investment in IT hardware where the chosen vendor is not a cloud platform. Key tasks include installation of the systems, local configuration change for awards, the migration of staff historical data, and change management both for the payroll staff and for the paid staff.

9. The People and Culture team is currently sized to be sufficient to process payroll commitments each week. A project to replace multiple payroll systems is a substantial additional workload commitment, and requires specialist project and migration skills that are not a normal part of the payroll team. The plan proposes a mixed team of internal resource (with backfill to permit normal payroll processing to continue), vendor staff, contract staff and consultants.

Recommendations

Health New Zealand | Te Whatu Ora recommends that you:

a) **Note** your approval of **$25.1m** in funding to assess options, agree a way forward and begin the upgrading of our payroll and rostering systems	**Noted**
b) **Note** your request and report-back requirements for further detail on the Roster to Pay programme	**Noted**
c) **Note** the progress made to date	**Noted**
d) **Note** the work programme structure and timeline, outlining priorities and sequencing for the next 12 months	**Noted**
e) **Note** that any expenditure incurred in the next 12 months above the drawdown amount will be met by reprioritising funding internally	**Noted**

Margie Apa

Chief Executive Officer

Health New Zealand | Te Whatu Ora

Date: 11/7/2024

Hon Nicola Willis, Minister of Finance

Date:

Hon Dr Shane Reti, Minister of Health

Date:

Background

2. In April 2024, joint Ministers of Finance and Health approved the drawdown of contingency funding of $25.1 million to support work to upgrade our payroll and rostering systems (HNZ00044171).

3. On 14 May 2024, Hon Nicola Willis, Minister of Finance, and you wrote to Dame Dr Karen Poutasi, Chair, Health NZ requesting further detail on the Roster to Pay programme (**Appendix 1**). The following information was requested by 30 June 2024:

   - A brief summary setting out the last 12-months of payroll improvement activities
   - A clear set of activities and programmes for payroll improvements, and how the $15m operating and $10.1m capital funding will be spent.
   - A clear timeline around developing a business case to make improvements to payroll systems.

4. On 22 May 2024, Dame Dr Karen Poutasi provided an interim response and wider background on the Roster to Pay programme (**Appendix 1**).

Past 12-months progress

A brief summary of recent payroll improvement activities

5. The formation of Health NZ has exposed significant variation in rostering practice and processes nationally, including more than 35 rostering, time and attendance, and awards interpretation systems serving more than 90,000 employees. The composite of inherited systems are not fit for purpose. Accordingly, de-risking, stabilisation, standardisation and modernisation of our roster to payroll systems is a key priority for Health NZ.

6. Health NZ's payroll equates to approximately 3.5% of GDP, and we understand our fiscal responsibilities to deliver health services within budget. Rostering (the effective and efficient utilisation and allocation of resource to patient needs) is a critical lever for managing workforce costs and capacity while improving workforce and patient outcomes.

7. Internal and external (market) research has highlighted the complexities that exist today: Health NZ is the largest employer in NZ with 92 different and complex collective agreements, while compliance with and interpretation of the Holidays Act remains a live issue (Holidays Act reform consultation in September 2024).

8. In July 2022, the Board commissioned a review of the payroll environment by IT Newcomm. Their report confirmed that no current Health NZ payroll system was legally compliant, a number of systems were end-of-life in terms of support and upgrades, and many systems were unable to deal with the complexities of our numerous collective agreements.

9. Following this report, a number of actions have been taken over the past 18 months to address payroll risks, including progressively ensuring payroll's compliance with the Holidays Act. Most significantly, we have:

   - Implemented Holidays Act compliance across Auckland, Waitemata and Counties Manukau payroll
   - Implemented a new rostering system for Counties Manukau award and leave interpretation

- Rectified the Waikato payroll and manual processes for compliance with the Holidays Act
- Rectified the Southern payroll and manual processes for compliance with the Holidays Act
- Consolidated a number of payrolls (smaller agencies moving to national payroll).

10. In early 2024, EY were commissioned to conduct a more comprehensive independent review of our payroll services. The conclusions of this reports are summarised from paragraph 11.

11. In parallel, we initiated sprint planning (4 weekly cycles) to validate requirements, engage payroll vendors, assess solution options and recommend a way forward. This took a wider view than simply payroll requirements by considering the need for rostering systems and core workforce reporting.

EY Independent Payroll Review (IPR)

12. The final Independent Payroll Review (IPR) has been completed. The review is the first systematic review of each former District and involved substantial fieldwork. The final paper is attached at Appendix 2. This has been shared and discussed with a number of agencies including Ministry of Health and Treasury.

13. The findings and observations outlined in the review highlighted "the systemic historic under investment in roster-to-pay systems and processes to support accurate and efficient processing and payment of renumeration to health employees."

14. Overall, the review put forward 26 key recommendations with a further 118 recommendations for consideration across the Districts. These recommendations have been incorporated into the Roster to Pay work programme which is outlined below.

2023/24 costs

15. The April drawdown of contingency funding provided $4 million opex funding for the 2023/24 year. The costs attributed total $2.6m for this financial year and are detailed as follows. We are working through accruals and options for carrying the funding over.

Item	Total cost
Independent Payroll Review	$925,811
Documenting Senior Doctor remuneration	$910,747
Roster to Pay sprint programme	$560,000
General payroll improvements (Digital personnel files)	$177,973
Total	$2,574,532

Work programme plan

A clear set of activities and programmes for payroll improvements, and how the $11m operating $10.1m capital funding will be spent

16. A multi-year work programme is being established to strengthen controls and improve the roster to pay environment. This work programme also seeks to significantly reduce the risks facing Health NZ, and falls into two distinct parts:

    - **Stabilisation** – getting the basics right (including basic reporting and analytics), achieving compliance, reducing imminent high risks and improving economies of scale via tactical investments. The stabilisation, in totality, will take 2-3 years.
    - **Modernisation** – broader capability uplift to significantly improve staff experience, move off paper systems, people insights, unlock productivity and deliver substantial ongoing savings. Modernisation will require a further 3-4 years of investment, with the potential for some of this activity to overlap with stabilisation, thereby compressing the overall delivery timeline.

17. The immediate focus will be on addressing the risk posed by the Ceridian-owned PSe payroll systems, currently used across eight districts, that are end-of-life and no longer supported after June 2025.

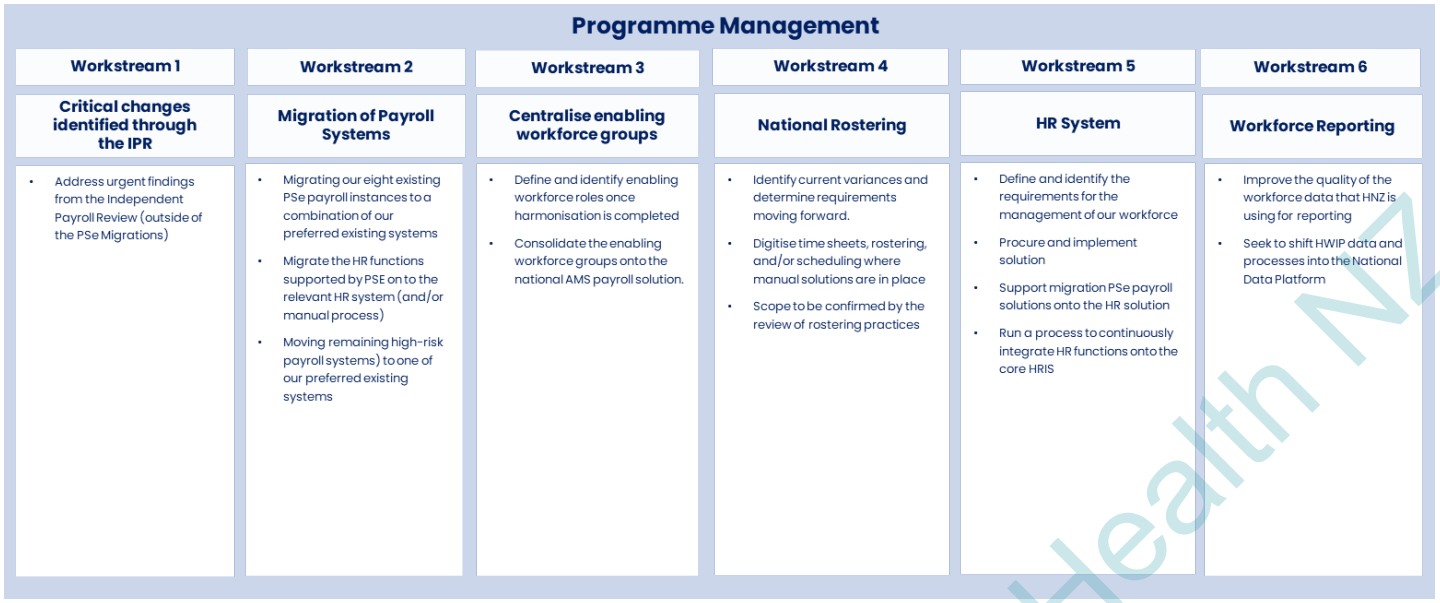
18. This needs to be followed by the simplification and standardisation of the technology landscape (managed convergence) in preparation for the modernisation goal of a national roster to pay eco-system, including a nationally consistent approach to staff rostering that moves away from paper to digital across our hospitals.

19. This will be a complex undertaking noting the number of legacy systems and vendors involved, the nature of change proposed and the organisational context – i.e. replacing payroll systems is inherently challenging, but more so where this is concurrent with major organisational change and complex industrial relations.

20. In light of this, the Roster to Pay programme will need to be carefully structured and governed. Planning is well advanced to develop an appropriate work breakdown structure and associated procurement strategy. This includes strategy setting, ‘scoping and mobilising each stream’ and governance and reporting.

21. To enable successful delivery, our work programme is shaped around six workstreams, with the first three being prioritised for delivery within this budget allocation.

    I. Critical changes identified through the Independent Payroll Review
    II. Migration of payroll systems off legacy and orphan systems
    III. Centralise national workforce groups onto single payroll
    IV. National rostering approach
    V. Wider workforce capability uplift (HR system)
    VI. Workforce reporting.



22. An overview of the projected monthly costs for each workstream is provided below, based on high-level estimates. The table shows the costs per workstream and, whilst the accumulative total is $21.4m. Any expenditure incurred above the drawdown amount in 2024/25 will be met by reprioritising funding internally or through slowing down the delivering of certain workstreams – noting that any additional funding required is likely to be capital not operating. The programme is currently working through securing vendors for the workstreams and, if required, the work could be slowed, or paused to match available funding and risks.

23. The programme of work has been shaped to fit within the budget approved, in particular a 60/40 split between operating and capital funding. It is possible that a higher proportion of the work could be capitalised if additional capital funding were available, as much of the work is a one-time migration to improved systems from which the organisation will derive long-term value.

24. The majority of the expenditure will be on project staffing with a small element of investment in IT hardware where the chosen vendor is not a cloud platform. The software licenses themselves are ongoing operational spend (there isn't a one-time purchase of the payroll system).

25. The systems that will be migrated to have existing Health NZ installations that can be copied, as such the bulk of the work is the installation of new instances of the systems, configuration of the systems for locally unique terms and conditions, the migration of staff historical data from the PSe solution into the new solution, and the various detailed technical installation and verification tasks.

26. There is also a significant change management exercise both for the payroll staff that will be operating a new system, and for the paid staff who will receive different pay slips and changes to basic functions such as how they book leave and complete timesheets.

27. The People and Culture team underwent a recent restructure (and headcount reduction) and is currently sized to be sufficient to process payroll commitments each week.

28. A project to replace multiple payroll systems is a substantial additional workload commitment and requires specialist project and migration skills that are not a normal part of the payroll team.

29. The majority of the staffing to complete this migration will therefore need to be in addition to the baseline staffing levels for the payroll organisation. Where staff from the normal payroll team are used (as they will be), they will need to be backfilled to allow normal payroll processing to continue.

30. There is an existing team with relevant skills that have been completing Holidays Act remediation work, this team is a mix of payroll system vendor staff, internal staff and contract staff. The plan proposes retaining this team after Holidays Act remediation completes, plus injecting some additional payroll implementation skills, reflecting that implementation of new payroll systems is always high risk and therefore requires investment in appropriate skills.

31. As such, the costs assume a mixture of internal, contract, consulting and supplier resources. Supplier costs and system costs are estimated based on previous experience and need to be validated once suppliers are engaged.

32. The following assumptions have been made in the 2024/25 costing:

- A Programme Business Case will be developed for the overall programme with expedited approval sought for the first tranche to enable rapid mobilisation.
- The workstreams have been prioritised to address the PSe risk as quickly as possible, and to provide an interim workforce reporting solution (by October 2024). The delivery speed for PSe replacement will be constrained based on the budget available this FY.
- 24/25 Delivery includes the commencement of the first three payroll migrations with the preferred payroll vendors; the first two are expected to progress through mobilisation and into delivery, the third is expected to commence mobilisation, but reliant on being able to confirm the payroll vendors and access the required resources within the allocated timeframes.
- IPR recommendations will require only limited oversight from the programme. Such oversight is included in the Programme Establishment and Management costs.
- Workforce group costs are for three additional resources to support the team in moving the Enabling workforce groups from the district payroll systems onto the Corporate payroll.
- HR system costs relate to commencing the procurement of a core HR solution to support the HR functions that the PSe's currently support. This is a placeholder only estimate until more information is known about the HR functions in the PSes.
- Rostering costs are to enhance the functionality of the current implementations of a digital rostering tool, and to template a national rollout approach to the remaining tertiary hospitals.
- Workforce reporting costs are associated with implementing an interim workforce reporting solution by October 2024 and developing the options for a national solution.

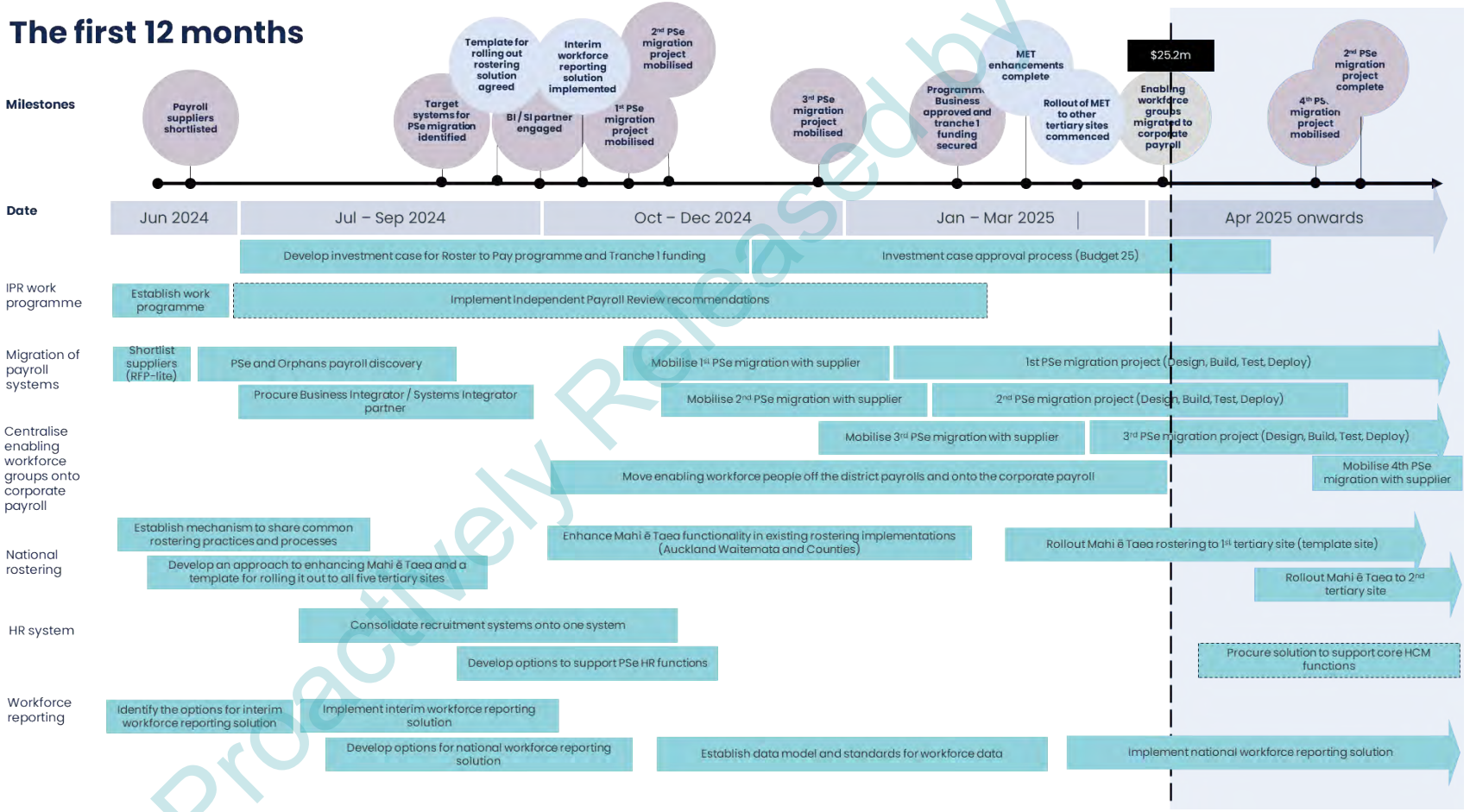
Capex and Opex Spend	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**
Capex	$0	$0	$0	$600,720	$1,029,360	$985,440	$1,294,800	$1,393,920	$1,499,760	$1,499,760	$1,572,320	$1,558,720
Opex	$576,400	$690,800	$711,960	$944,920	$1,004,920	$601,240	$964,600	$894,680	$789,560	$789,560	$1,216,920	$844,280
Monthly totals	**$576,400**	**$690,800**	**$711,960**	**$1,545,640**	**$2,034,280**	**$1,586,680**	**$2,259,400**	**$2,288,600**	**$2,289,320**	**$2,289,320**	**$2,789,240**	**$2,403,000**
Accumulative total	**$576,400**	**$1,267,200**	**$1,979,160**	**$3,524,800**	**$5,559,080**	**$7,145,760**	**$9,405,160**	**$11,693,760**	**$13,983,080**	**$16,272,400**	**$19,061,640**	**$21,464,640**

Programme Business Case timeline

A clear timeline around developing an programme business case to make improvements to payroll systems

33. The diagram below illustrates planned activities over the first 12 months of the Roster to Pay programme.

34. In parallel, we are working to develop a draft investment case for the programme by December 2024, s 9(2)(f)(iv) [redacted]. For clarity, continuation of the programme into 2025/26 – and completion of mitigation of the Ceridian/PSe risk - will depend on future available funding.



Next steps

35. Immediate next steps are focussed on our current sprint which will start developing the approach for creating a rostering system template to be rolled out across Health NZ at pace. Concurrent with this, we are working to standardise processes while identifying and sharing rostering good practice for incorporation into the national model.

36. In this sprint we will also select vendors to support the migration of the PSe systems and begin contract negotiations with them. We will also develop an approach for an interim solution to provide integrated consolidated workforce data so that we have accurate and timely reporting on our people by the end of the year.

37. Health NZ remains committed to the timeline shared and sharing the necessary information with you, The Treasury and Ministry of Health. Regular progress updates will be provided as required.

Appendix 1: Letter from Ministers of Finance and Health and interim response

14 May 2024

Hon Nicola Willis

Minister of Finance
Minister for the Public Service
Minister for Social Investment
Associate Minister of Climate Change

Dame Dr Karen Poutasi

Chair, Health New Zealand | Te Whatu Ora

Dear Dame Karen

Thank you for your work to address outstanding risks and opportunities related to health data and digital infrastructure.

We have recently agreed to release contingency funds to Health New Zealand to support your work to upgrade payroll and rostering systems.

We are concerned about the progress of this work to date and would like more information about what funds have already been invested, the outputs achieved, and future plans.

We request that the following detail is provided to ourselves, as well as the Treasury and Ministry of Health by 30 June 2024:

- Detail on what activity and spending on addressing payroll system risk has occurred in the last 12 months, broken down by activity and funding source.
- Concrete information on how the $15.0 million operating and $10.1 million capital funding will be spent, broken down by activity.
- Detail of the expected timeline and process for the development of a business case to address outstanding payroll and rostering risks.

We expect that in future, updates on this work will be provided for inclusion in the Treasury's Quarterly Investment Reporting processes.

We look forward to hearing from you.

Yours sincerely

Hon Nicola Willis
Minister of Finance

Hon Dr Shane Reti
Minister of Health

Private Bag 18041, Parliament Buildings, Wellington 6160, New Zealand | +64 4 817 6801 | n.willis@ministers.govt.nz

Health New Zealand
Te Whatu Ora

22 May 2024

Hon Nicola Willis
Minister of Finance
nicola.willis@parliament.govt.nz

Hon Dr Shane Reti
Minister of Health
shane.reti@parliament.govt.nz

Dear Ministers

Health New Zealand: Payroll and rostering systems

Thank you for your letter received on 14 May 2024 regarding payroll and rostering systems at Health New Zealand | Te Whatu Ora (Health NZ).

De-risking, stabilisation and modernisation of our roster to payroll systems is a top priority for the Board given the systems we inherited from the former District Health Boards were not fit for purpose. We therefore appreciate the release of contingency funds to support important work in this area. From our perspective, this is a vital investment in the productivity, integrity and sustainability of the health system which will enable us to build upon the work we have undertaken to date.

We understand your need to have high visibility of work to date, including funds invested and what they have achieved, and to understand how we see the path ahead. This is an initial response, with further detail to be provided within the timeframe you have set (before 30 June).

The significant opportunity we see is the implementation of modern and compliant roster to pay systems, optimised within our information technology environment. As a people business, this is fundamental to understanding and planning our most significant cost – people – and to having robust and timely insights about our performance, to drive performance improvement in the best possible ways.

There are a wide range of benefits and outcomes, beyond the significant risk reduction we need to manage, that we need to secure. These include:

- increases in productivity and accuracy through a reduction in manual processes;
- improved visibility of workforce data nationally in order to triangulate production and performance with labour inputs;
- ability to forecast labour costs and optimise rosters by moving from paper based systems;
- better insights into our core business giving us the ability to manage in a more agile and efficient way;
- tactical investment where it is most needed;
- greater economies of scale and efficiencies; and
- ultimately, a modern, compliant, automated roster to pay system to ensure our people are paid on time, accurately, and in line with existing and future contract and legislative settings with minimal manual intervention.

We have undertaken significant due diligence since inception to understand the opportunities and challenges in this area. The initial work commissioned by the Board in July 2022 found that no payroll system was legally compliant, a number of systems were end of life in terms of support and upgrades, and many systems were unable to deal with the complexities of our numerous collective agreements. More recently, we have commissioned EY to undertake an independent review of our roster to pay services, with the final report expected this week. In the meantime, we have already taken a number of actions to address payroll risks, including progressively ensuring payrolls are compliant with the Holidays Act. Most significantly, we remediated payroll for our current Auckland Metro/Northland staff (equating to roughly 40% of our people) in late 2023.

Moving to a stabilised and modern system will take considerable time and require ongoing management of significant risks and a number of iterative investments. The challenges are very real. In summary, the key findings of the EY report are that:

- there is high variability across the country with some systems being stable and modern, and others being isolated and outdated which causes compliance, legal and financial risks;
- systems are not integrated causing inefficiencies and limiting business functions;
- we are unable to plan and forecast labour costs and interrogate data, and;
- there are highly manual processes in places creating a high administrative burden and discrepancies in compensation accuracy and timeliness.

As noted above, the wider impacts on our ability to monitor and drive performance are also very significant, and something we must overcome to meet the longer-term challenges of the system.

We have shared the draft report with both Treasury and the Ministry of Health and will provide them with a copy of the final report as soon as it is available. We will provide more detail about the report's findings and recommendations in our substantive response to your letter (by 30 June), including how we propose to take recommendations forward.

On behalf of the Board, I hope this initial update is useful. This is a critical area for our operations and we appreciate the recent government investment to support us and extend the work we have already done.

Yours sincerely

Dame Dr Karen Poutasi
Chair, Health New Zealand

Appendix 2: EY Report – Payroll Independent Review – May 2024

N.B. Not in scope, no financial information

Hon Dr Shane Reti

Minister of Health
Minister for Pacific Peoples

11 July 2024

Professor Lester Levy
Chair
Health New Zealand – Te Whatu Ora
lester.levy@tewhatuora.govt.nz

Tēnā koe Lester

The purpose of this letter is to inform you of my serious dissatisfaction with the performance of Health New Zealand – Te Whatu Ora (Health NZ) and to inform you that I am considering options available to me under the Pae Ora (Healthy Futures) Act 2022 (Pae Ora Act) in relation to the Board, including potential dismissal of all members of the Board.

As you know, I have become increasingly concerned with the financial performance of Health NZ, and the unexpected and persistent overspend occurring in the hospital system since March this year.

I understand that Health NZ took some immediate steps to constrain overspending and apply cost controls, such as on recruitment, when it became aware of the financial issues. However, the financial position has continued to deteriorate with Health NZ currently overspending its budget at the rate of $130 million per month.

This deterioration means that Health NZ will end 2023/24 in a significant operating deficit, which will continue into 2024/25. This also increases the risk that Health NZ will not be able to meet the Government's health and mental health and addiction targets, or address the priorities outlined in the Government Policy Statement on Health 2024-2027. This is entirely unacceptable and Health NZ's financial situation needs to be urgently addressed.

While the financial performance itself is a cause for major concern, I am further dissatisfied that this did not materialise in reporting until March of this year, and indeed that previously the Board had assured me that Health NZ was on track to break even.

I am aware that the causes of the current issues facing Health NZ are deep and consider that these include the following.

- An overly centralised operating model leading to weak internal and management control with consequential impacts on effective cost control and an absence of clinical voice.
- Ineffective performance reporting, including a workable internal performance framework.

- Limited governance oversight and transparency including, until very recently, a lack of Board financial capability to more actively enquire into the level and depth of information it is receiving.
- Limited progress in addressing the issues of poor state, fragmented IT, much of which relies on legacy platforms that are no longer effectively supported.

As you are aware, my expectation to the Board of Health NZ on next steps includes the provision of a turnaround/recovery plan, a financial sustainability plan that sets a clear course towards break-even, and a revised NZ Health Plan. Even once these plans are in place, I am concerned about Health NZ's ability to successfully implement them, given that the looming financial issues were not recognised by the Board prior to them becoming a material issue earlier this year.

While I have already taken some steps to strengthen the overall governance of Health NZ, including your appointment as Chair in May this year, I am seriously dissatisfied with the overall Board performance to date and remain concerned about its ability to support you to turn around performance. Therefore, I am considering options available to me in relation to the Board under the Pae Ora Act, including potential dismissal of all members of the Board.

I am providing an opportunity for the Board to comment on the concerns raised in this letter. Before I make any decisions in relation to the Board, I invite the Board to provide any submissions they wish me to consider. I request that you respond to me in writing, no later than 5pm, Friday 12 July 2024.

I will not make any public comments about my concerns or potential next steps, until the Board has the opportunity to consider this letter and make their submissions. I expect that you and the rest of the Board will treat this letter in strictest confidence and refrain from making any public comments on this matter.

Please ensure that this letter is shared with the rest of the Board members for their consideration and that any Board submissions are made no later than 5pm, Friday 12 July 2024. I expect to make a decision about next steps relatively quickly once I have considered the Board's submissions.

Nāku noa, nā

Hon Dr Shane Reti
Minister of Health

12/07/2024

Hon Dr Shane Reti
Minister of Health
Parliament Buildings
Wellington 6160

Dear Minister

Thank you for your letter dated 11 July 2024 regarding the performance of Health New Zealand – Te Whatu Ora.

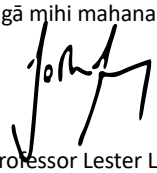
I confirm that I have shared this letter with fellow Board member Roger Jarrold and this response is on behalf of both Roger and myself.

By way of context Roger was appointed to the Board of Health New Zealand – Te Whatu Ora commencing 29 March 2024 and I was appointed to the Board as Chair commencing 1 June 2024.

In the very short time that we have been involved we have identified a number of critical performance issues including financial performance but note that the performance issues are not only limited to that domain.

We support you taking any necessary steps to best position Health New Zealand – Te Whatu Ora for a successful performance turnaround.

Ngā mihi mahana



Professor Lester Levy
Chair
Health New Zealand

Aide-Mémoire

Health New Zealand
Te Whatu Ora

Lifting performance by empowering our regions

Due to MO:	21 July 2024	**Reference**	HNZ00055366
To:	Hon Dr Shane Reti, Minister of Health		
From:	Margie Apa, Chief Executive Health NZ		
Security level:	In Confidence	**Priority**	Urgent

Contact for further discussion (if required)

Name	Position	Phone	1st contact
Margie Apa	Chief Executive	s 9(2)(a)	x

Purpose

1. This paper describes the first steps to reset Health New Zealand | Te Whatu Ora to deliver timely access to quality healthcare through a process of regional devolution key to which is the establishment of regional Deputy Chief Executives reporting directly to the Chief Executive Officer (Organisational Chart at Appendix 1). These new roles (Position Description at Appendix 2) will ensure management accountabilities are fit for purpose to deliver on financial and non-financial performance expectations, in particular government Health and Mental Health Targets.

Summary

2. A management reset at Health NZ is required to ensure we are fit for purpose to deliver on financial and non-financial performance expectations (i.e. delivery against National Health and Mental Health Targets and to live within our means). This is one of 11 actions that we are undertaking as part of a plan to get Health NZ back to financial sustainability and performing in line with government health priorities (Appendix 3).

3. The first stage of the management reset establishes four devolved health regions, each led by a Deputy Chief Executive Officer reporting directly to the CEO. The regional Deputy CEOs will be empowered with matching authority and accountability to ensure that the regions are responsive to the regional and local staff and communities. These regional Deputy CEOs will be fully responsible and accountable for their devolved budget allocations and will have high-level decision-making authority to deliver to their communities. The roles will also join hospital and specialist services with commissioning

services for each region, making it easier for stakeholders to work with us and better support clinical engagement. These functions are currently reporting to separate National Directors and the levers for lifting financial and operating performance are currently relatively ineffective. Regional devolution will clarify the nature of the levers giving regional Deputy Chief Executives the opportunity to introduce new and strengthen existing levers.

Context: why reset now?

5. Health NZ can provide a strong value proposition for New Zealanders who want timely access to quality health care consistently across the country. We know that currently underperforming across several critical domains and the devolution will bring the clarity and discipline to change this quickly. We have recruited clinical FTEs ahead of budget and have established operating models in enabling functions that are not as effective as required and unaffordable. This over recruitment and over expenditure has not led to a significant or even proportionate increase in our activity – we are not as productive as we should be and we are not adding the value we could.

6. A reset in our operating model is required to drive value-add for our patients, our workforce and taxpayers; and to refocus Health New Zealand on performance delivery. Formal work the new operating model has commenced and will be advanced in coming weeks to produce a draft in August as outlined in your Letter of Expectations.

7. While our current operating model has developed important national approaches that support good regional and local practice, we have over corrected to the point where regions and local teams are disconnected from decision making and this has resulted in less ownership of budgets and internal controls to manage their resources.

8. In addition, national spans of management control (i.e. the breadth of service coverage that our executive leadership team manage) are in many cases too large and insufficiently agile to be effective in lifting performance. Specifically, we have the largest spans of control in our National Director of HSS (accountable for $14.2bn of funding and staffing of over 74,000 FTEs) and the National Director of Commissioning (accountable for an estimated $9bn of funded services commissioned from thousands of third-party providers). Interestingly, the single most effective lever to lift performance that we have, which is independent commissioning of hospital and specialist services, has not been utilised.

9. Health NZ needs an operating model that reduces the layers between Board and delivery of care and ensures that the right decisions are made in the right parts of our organisation as quickly as possible.

Establishment of Regional Deputy Chief Executives

10. To strengthen integration of regional functions we will appoint Establishment Deputy Chief Executive positions in each region (Northern, Midland/Te Manawa Taki, Central, and South Island/Te Waipounamu). This implements a decision that the Board originally agreed in April and confirmed again with the appointment of a new Chair at its June meeting. We are in the process of seeking the appropriate candidates and are making very good progress.

11. The Establishment Deputy Chief Executives (DCEs) will be required to:

a. **Deliver National Health Targets and Mental Health Targets.**

b. **Join up services** between primary and secondary care and pathways to ensure patients experience is seamless resource allocation across settings of care.

c. **Build partnerships** across services and regions supported by their jointly developed integrated care strategies.

d. **Take a single approach to workforce** so staff can take on new roles, enhance their skills and work across different organisations including across hospitals.

e. **Focus on prevention** by using data and population health management approaches (with regional public health teams) to pro-actively identify people most at risk and services they might need, with delegations to shift resources.

f. **Devolving more to 'place level' within a system** by bringing local people and partner organisations together to decide what services are needed, and setting up integrated neighbourhood teams to deliver them. This includes working with IMPBs and community provider networks to better match community needs with services and implement agreed Community Health Plans.

g. **Joint working in provider collaboratives,** working together to reduce unwarranted variation, share resources to be resilient, and provide specialist or consolidated services for better outcomes/value for money.

h. **Supporting social investment** work in partnership with regional and local social sector agencies (including local government and community stakeholders) for early intervention, target resources at high need patients and their whanau.

12. The benefits of Regional Establishment DCEs are anticipated to include:

a. deliver the Health and Mental Health Targets;

b. a manageable span of control across each region to achieve focus on performance and live within our means;

c. integration of care across prevention, primary and hospital care to help people with preventable conditions and stay well and independent;

d. tailoring services (within national guidelines) to meet regional needs for people, particularly those who have multiple needs as populations age;

e. collective resources are used as effectively as possible, so people receive care as quickly as possible across regions;

f. enable innovation that is tailored to meeting local needs;

g. supporting people with long-term conditions or mental health issues; and

h. improving the health of children and young people.

13. The following table illustrates the expenditure in each region and estimated FTEs working for or servicing regions as at end June 2024. The spans of control for the Regional Deputy CEOS is smaller than current National Directors therefore providing more opportunity to address savings and performance.

Table 1: Operating Expenditure and FTEs by region – 2023/24

Operating Expenditure and Accrued FTEs by Region		
	Budget 2023/24: HSS and Commissioning ($b)^	Accrued FTEs budgeted for 2023/24 (Indicative)*
Northern	$7.4	29,742
Midland | Te Manawa Taki	$4.0	14,257
Central | Ikaroa	$4.1	14,032
South Island | Tewaipounamu	$4.8	16,983
Total	**$20.3**	**75,014**

* FTE estimated based on total internal personnel for HSS and Commissioning functions, and employee expenditure by region and shared services (including national)

14. In the first steps of the operating model reset, we will not be changing regional boundaries – this requires more discussion and consultation with you directly. There are options to revisit boundaries e.g. Tairawhiti and Taranaki could move to become part of Central region, with a merger in the management of Hawkes Bay and Tairawhiti local areas. The underlying principles would be to ensure normal patient flows for specialist services such as cancer treatment, secondary/tertiary support are aligned. The benefit of realignment is primarily improved clinical flow; however this is still a decision to be made.

How will this help turnaround our financial performance?

15. Reduced spans of control and effective levers centred on regional Deputy CEOs will help address our financial performance by enabling decisions that are key to implementation and execution be made closer to the frontline. This includes leading change to reduce cost structures and drive efficiencies both in national enabling functions and at regional level.

16. More effective integrated regional commissioning will drive total cost down over time as a result of allocative efficiency and effectiveness.

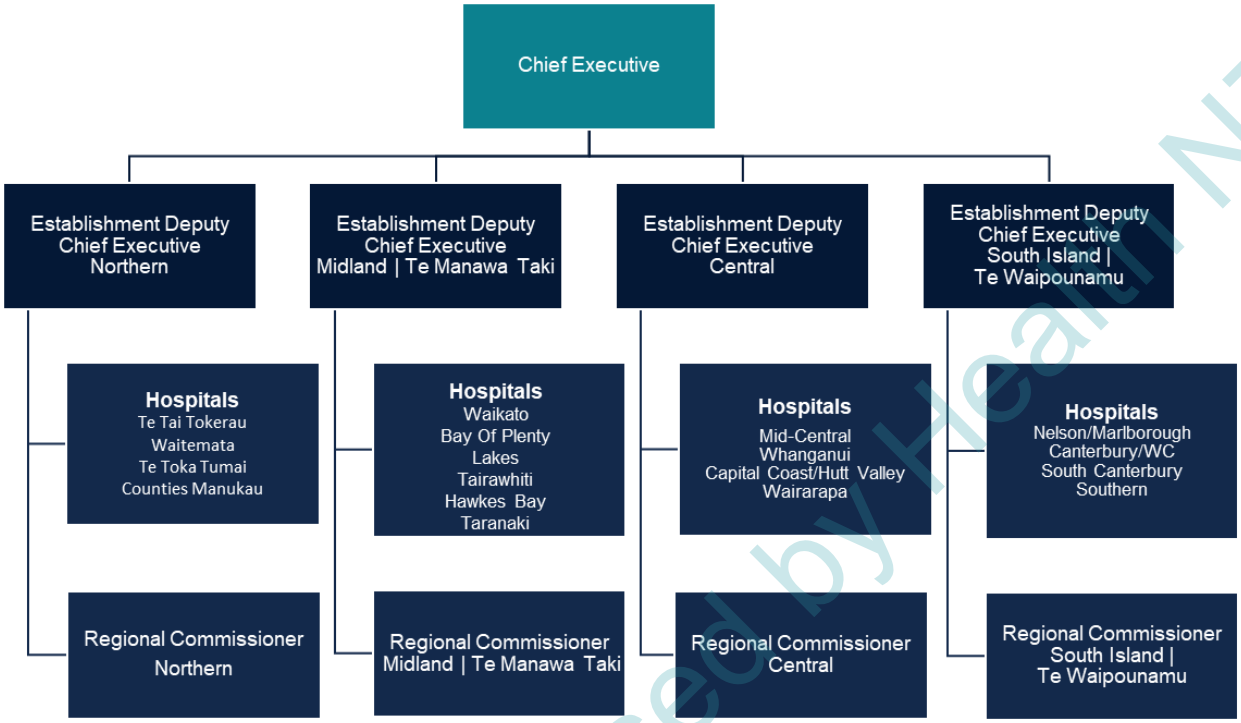
17. At the close of 2023/25 Health NZ had increased its FTEs from the budgeted 82,807 to an average of 86,819 for the fourth quarter. Although most of this increase is in clinical FTEs, the total increase includes management and admin personnel increase from 16,245 to 16,687 during quarter four.

Timeline and Next Steps

18. The establishment of four regional Establishment DCEs means a dis-establishment of two National Director positions – HSS and Commissioning.

19. Consultation will commence shortly to further dis-establish national teams that are not required because of this change in direction and to shift the reporting lines for Regional Directors, HSS and Commissioning to report to the new Regional Leadership roles. Other changes to support new operating models and to ensure funding remains within budget allocations will also be actioned in coming months.

Appendix 1: Organisational structure, with current regional boundaries.



Appendix 2: DRAFT Position Description

Position Description | Te whakaturanga ō mahi

Health New Zealand | Te Whatu Ora

Title	Establishment Deputy Chief Executive – [Region]			
Reports to	CEO Te Whatu Ora | Health New Zealand			
Location	[Region]			
Department	Executive Leadership Team			
Direct Reports	TBC		**Total FTE**	TBC
Budget Size	**Opex**	TBC	**Capex**	TBC
Delegated Authority	**HR**	TBC	**Finance**	TBC
Date	July 2024			
Job band (indicative)				

Te Mauri o Rongo – The New Zealand Health Charter

We expect that all leaders model the behaviours and lead their teams to ensure their experience of work reflects the values in Te Mauri o Rongo:

Wairuatanga	**The ability to work with heart**	***"When we come to work, we are able and supported by others to be our whole selves. When we return home we are fulfilled".***
Rangatiratanga	Ensuring that the health system has leaders at all levels who are here to serve	*"As organisations we support our people to lead. We will know our people; we will grow those around us and be accountable with them in contributing to Pae Ora for all"*
Whanaungatanga	We are a team, and together a team of teams	*"Regardless of our role, we work together for a common purpose. We look out for each other and keep each other safe. Together we are whānaunga, we are the workforce - kaimahi hauora"*
Te Korowai Manaaki	Seeks to embrace and protect the workforce	*"The wearer of the cloak has responsibility to act/embody those values and behaviours"*

About the role

This role reports to the Chief Executive of Health New Zealand I Te Whatu Ora. The purpose of this role is to implement the Government's national priorities for health and wellbeing of New Zealanders for the region they are delegated to lead. This role is a delivery and implementation leadership role and must ensure that the health and wellbeing priorities of the Government are effectively operationalised for populations living in the region within the resources delegated and/or devolved

to this role. This role is accountable and responsible for living within the delegated budgets and maximising the potential of the workforce under their responsibility to deliver service outputs and impact on health and wellbeing outcomes of the people that reside in that region. This includes generating savings and/or cost reductions to maximise the available resources directly providing frontline care as part of continuous improvement. This role will inherit savings targets or expectations to reduce cost to live within the budget provided.

What health services are delivered, how they are delivered, where they are delivered and by whom needs to be responsive to and shaped with local and regional stakeholder input and feedback. This role will work with existing regional leadership roles to ensure coverage of key stakeholders that have a stake in how health services are delivered in their regions.

This role will work collaboratively with the 3 other Regional peers to ensure spread and diffusion of effective approaches. This role will also work with national Executive Leadership peers to influence national developments and ensure they are relevant and can be contextualised for regions. This role will also work with enabling Executive functions to ensure that the services are responsive to the needs of the region.

Accountability	**Indicators**	**Outcomes**
1. Improve experience of patients	• Implementation of Te Mauri o Rongo values in practice • Measure of patient satisfaction and experience • Responsiveness to feedback from consumers and whanau voice including but not limited to consumer networks and IMPBs • Travel assistance and support utilisation • Time to access patient's information	• Compassion in care is delivered to patients and whanau in your region • Decisions that impact individual patients are timely and transparent • Costs to patients in travel to diagnosis and treatment reduces over time
2. Implement priorities for service delivery for the region as delegated by the CEO and Board	• Milestones against National Health and Mental Health Target plans • Production plan forecast and activity reporting for both service delivery and community delivered programmes • Milestones against New Zealand Health Plan • Implement national programmes for the region as agreed with the Chief Executive and the Board • High performing Commissioning function	• Achieve National Health Targets as quickly as possible equitably across all districts and equitably across all high need populations • Achieve National Mental Health Targets as quickly as possible and equitably across districts and equitably across all high need populations • Achieve other targets as agreed with the Chief Executive for the region, including the New Zealand Health Plan • Achieve agreed output and production targets • Funding, planning, evaluating, and monitoring the quality and

Accountability	Indicators	Outcomes
		coverage of services that are publicly funded provided regionally, and locally to eligible people, are contributing to achieving the government's objectives for health and wellbeing as set out in the Government Policy Statement and Te Pae Tata, NZ Health Plan
3. Live within budgets and funding as delegated	• Revenue aligned with output production and service delivery • Expenditure within revenue • Delegated capex projects are delivered on time, within budget and benefits realisation actioned.	• Budget breakeven or better • Capex budget on target • Benefits realisation accounted for
4. Maximising the potential of a well-supported workforce	• Pulse survey results • Up to date documentation of regional policies and protocols that are aligned to national standards, where available • Participation by clinical leadership in regional and national governance networks • Safety surveys? • Engagement with unions and staff on workforce matters under IEA and collective agreements • Productivity measures and utilisation of resources	• Clinical engagement in governance and leadership • Clear quality and safety expectations that are followed through • Procedures and protocols across the region are streamlined • Delegations are well understood and supported by the right information to support informed decision making • Productivity of staff increases over time
5. Effective integration of enabling functions	• Negotiate and agree an annual programme of service levels from enabling functions • Lead major strategic initiatives including major infrastructure (physical and data & digital) that will benefit the region. This includes being Senior Responsible Owner of major projects • Represent the CEO on governance and oversight of regionally located subsidiaries and/or trusts.	• Improvement in regional and local performance against national performance targets • Warranted variation is justified and explained • Delegated projects and programmes are delivered within budget and meet agreed outcomes/outputs

Accountability	Indicators	Outcomes
6. Effective stakeholder engagement	• Support CEO and Board with reporting to shareholding Ministers, Government and central agencies as required • Work collaboratively with Iwi Māori Partnership Boards to implement agreed initiatives for Māori health improvement • Engage effectively with key regional stakeholders including but not limited to community based provider networks, local government and community stakeholders as agreed.	• Timely servicing and compliance with wait times (e.g. OIA, WPQ) • Feedback from local stakeholders reflect engagement on essential matters • Local government can identify who their key contact is within Health NZ

Key Accountabilities	Expected Outcomes / Performance Indicators – All Te Whatu Ora Leaders
Financial Accountability	• Revenue to be agreed annually as part of budget setting • Output KPIs to be agreed annually • Capex KPIs to be agreed as part of project/programme implementation based on cases
Te Tiriti o Waitangi	• Effective engagement with Iwi Māori Partnership Boards at regional level • Remains focused on the pursuit of Māori health gain as well as achieving equitable health outcomes for Māori
Equity	• Commits to helping all people achieve equitable health outcomes for all high need groups
Culture and People Leadership	• Lead, nurture and develop our team to make them feel valued • Prioritise developing individuals and the team so Te Whatu Ora has enough of the right skills for the future, supporting diversity of leadership to develop – Māori, Pacific, people with disabilities and others • Provides leadership that shows commitment, urgency and is visibly open, clear and innovative whilst building mutually beneficial partnerships with various stakeholders both internally and externally • Comply with agreed strategies and processes that support provide an environment where employee experience, development and performance management drive achievement of the organisation's strategic and business goals • Ensures Business Unit culture develops in line with expectations outlined in the Health Charter, ensuring unification of diverse teams whilst simultaneously supporting local cultures to be retained and strengthened
Innovation & Improvement	• Be open to new ideas and create a culture where individuals at all levels bring their ideas on how to 'do it better' to the table • Model an agile approach –tries new approaches, learns quickly, adapts fast • Develops and maintains appropriate external networks to support current knowledge of leading practices

Key Accountabilities	Expected Outcomes / Performance Indicators – All Te Whatu Ora Leaders
Collaboration and Relationship Management	• Models good team player behaviour, working with colleagues to not allow silo thinking and behaviour at decision making level to get in the way of doing our best and collegially supports others to do the same
Health & safety	• Exercises leadership and due diligence in Health and Safety matters and ensures the successful implementation of Health and Safety strategy and initiatives • Taking all reasonably practicable steps to eliminate and mitigate risks and hazards in the workplace that could cause harm, placing employee, contractor and others' health, safety, and wellbeing centrally, alongside high-quality patient outcomes • Lead, champion, and promote continual improvement in health and wellbeing to create a healthy and safe culture
Compliance and Risk	• Takes responsibility to ensure appropriate risk reporting, management and mitigation activities are in place • Ensures compliance with all relevant statutory, safety and regulatory requirements applicable to the Business Unit • Understands, and operates within, the financial & operational delegations of their role, ensuring peers and team members are also similarly aware

Matters which must be referred to the CEO

Judgement should always be used when referring matters to the CEO, but should include:

- Significant issues with or risk to delivery to regional health outcomes and/or service coverage
- Any matter that may affect the reputation of the organisation

Relationships

External	Internal
Regional and local stakeholder groups iMPBs Ministers and Members of Parliament Iwi and Hapu Local Government mayors, chairs, councillors, chief executives and senior leaders Local health providers Social sector organisations and/or entities not limited to public service agencies Chambers of Commerce	Chief Executive and the Office of the CEO ELT colleagues that represent national developments Regional Integration Committees that represent the following delivery functions: • Regional Wayfinders (Commissioning) • Regional Directors, Hospital & Specialist Services • Hauora Maori Services Regional Directors • National Public Health Service • Pacific Health • Service Improvement and Innovation Enabling functions that service regions: • Data & Digital • Finance • People & Culture

	• Infrastructure and Investment • Transformation • Internal Audit and Risk Assurance

About you – to succeed in this role

You will **Essential:**

- Relevant operational leadership experience in large complex health service delivery organisations
- Can integrate and consolidate a financial and non-financial picture of operations across multiple functions
- Significant experience at an executive level within large public facing multi-faceted or complex environments with multiple consumer and political interests and expectations
- Highly developed interpersonal and communications skills with a proven ability to build and maintain strong stakeholder relationships, manage conflicting priorities and communicate complex information for a broad range of audiences
- Demonstrable system-wide experience in leading and managing through system change including bringing people on the change journey with you and engaging across a large and complex organisation
- A commitment to achieving equitable outcomes for Māori and other high need population groups
- A genuine passion for improving the health system for the benefit of all New Zealanders

You will **Essential:**

- Commitment to being a responsible agent of the Crown in actioning the Crown's obligations under Te Tiriti o Waitangi as agreed
- Able to maximise the quality and contributions of individuals and teams to achieve the organisation's vision, purpose and goals
- Demonstrate a strong drive to deliver and take personal responsibility and accountability for your actions
- Demonstrate self-awareness of your impact on people and invest in your own leadership practice to continuously grow and improve
- Demonstrate the highest standards of personal, professional and institutional behaviour through commitment, loyalty and integrity

This position description is intended as an insight to the main tasks and responsibilities required in the role and is not intended to be exhaustive. It may be subject to change, in consultation with the job holder.

Appendix 3: Delivering on the new operating model through a dedicated action plan

Segment	Value Add	Actions
Patient Experience	• Certainty to make life planning easier. • Have agency in life and health choices. • Receive compassionate care to build trust and confidence.	1. Deliver National health and mental health targets
		2. Culture Promoting Compassionate Care consistently – Te Mauri o Rongo values in practice
Workforce Experience	• Access to tools that ensure the best use of their time and effort • Ability to fulfil their professional aspirations in environments that nurturing and encouraging. • Being part of a high performing team that values their contributions. • Being led by people empowered with the decision making to improve their workplace and workload.	3. Management reset: Decision making closer to the point of care – regionally and locally
		4. Engaged Clinical Leadership
		5. Shift resources to patient care and address financial sustainability through "Value Every Hour and Every Dollar" campaign.
		6. An operating model that add value to improving experience of patients
		7. Strong internal controls – leading to clear roles, expectations and accountabilities
Shareholder Experience (Government)	• Confidence every hour and every dollar is being applied to improving health outcomes and addressing high need. • Social impact of good health is experiences in the economy (ie people can work, participate in society).	8. Management reset – simplify leadership structure
		9. Governance reset to align with Government's priorities
		10. Productivity improvement
		11. Engaged monitoring agencies

Financial update: Joint Ministers Meeting

25 July 2024

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora

Executive Summary

Three year journey:

- **24/25 Reset** and stabilise over expenditure, better manage our clinical workforce for productivity gain, lower cost structures for enabling functions, improvements against National Health Targets.
- **25/26 Performing** at breakeven, maximising all our resources to reduce wait times for patients in National Health Targets and across other services including primary care and community
- **26/27 Value-Add** at breakeven, better experience for patients by providing more care and shifting more care closer to home, productive hospital and specialist services and clinical leadership having more agency in how we make decisions.

2024/25 Reset and stabilise:

- 23/24 year end-year result of $742million deficit for 2023/24, due to over expenditure in personnel (primarily nursing). Budget strategy is to concentrate change in first half of financial year to create headroom in 2025 calendar year and set up for performance in 25/26 – 26/27
- Driver of costs increases is people - Increase in nursing FTEs was multi-factored - large intake of graduate nurses, good results from international recruitment, disconnect of rostering from budget on the ground. The average cost of nursing grew by 10% over the year (from $120k to $132k).
- Controls introduced in April have stabilised the situation: nursing hours per patient day provided has reduced and total hours paid across the organisation has plateau.

Preliminary view of 2023/24 result

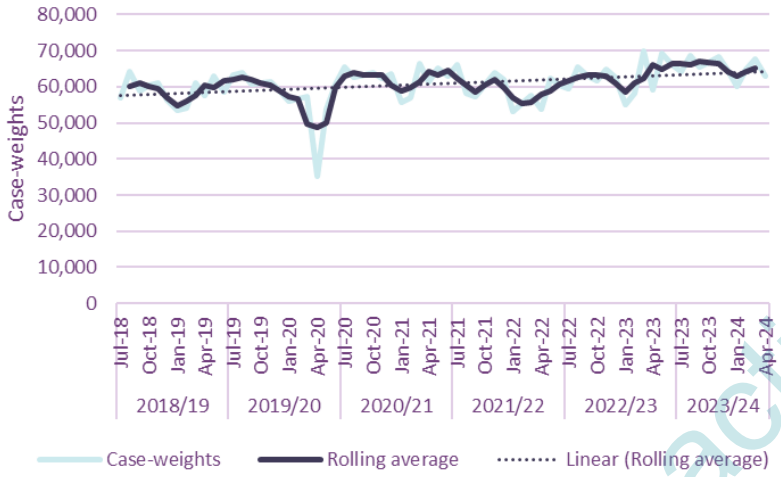
- Health NZ anticipates an end-year result of $742million deficit for 2023/24, compared to an expected rebased budget result of $54million surplus.*
- The rebased budget result of $54million **excludes** previously assumed pay equity of $529million. The expectation is that this is paid by end August/September 2024.
- June results saw a continued deterioration in operational performance, primarily driven by the lag effect of decisions previously made on clinical FTE and Management & Admin FTE.
- Other liabilities and adjustments materialized June impacting the end-year result, including:
  - Further COVID-19 stock write off, $113million**
  - Holiday Pay liability increase, $172million
  - COVID-19 repayments, $68million
  - Other adjustments ($110million), noting in future these adjustments will be made throughout the year rather than year-end.

*Note that some provisions are subject to valuation at 30 June 2024 and to final audits, hence subject to change.

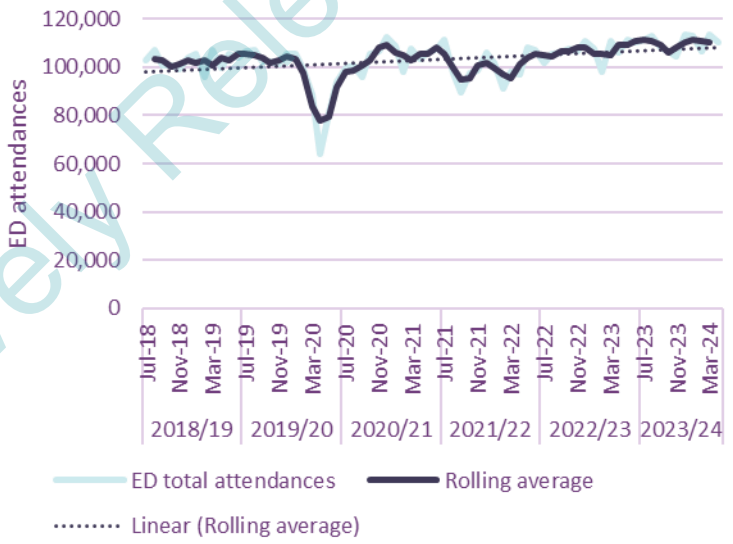
Activity: Year on year growth post-COVID in major service areas

- Activity across major service areas exceeds pre-COVID levels, although waiting times for primary and specialist care are still often longer than before the pandemic
- There are indications of rising acuity of patient presentations (e.g., more ED attendances resulting in admission), and delays in care (e.g., longer average lengths of hospital stay)
- GP contacts as measured by GP qualifying encounters have increased from calendar year 2022. There were 470,000 more encounters Jan – Apr 2024 than in the same period in 2023 - a 7% increase in encounters.
- Despite the rise in GP contacts, the number of ED attendances has continued to grow, with indications of a further step-up in May and June 2024

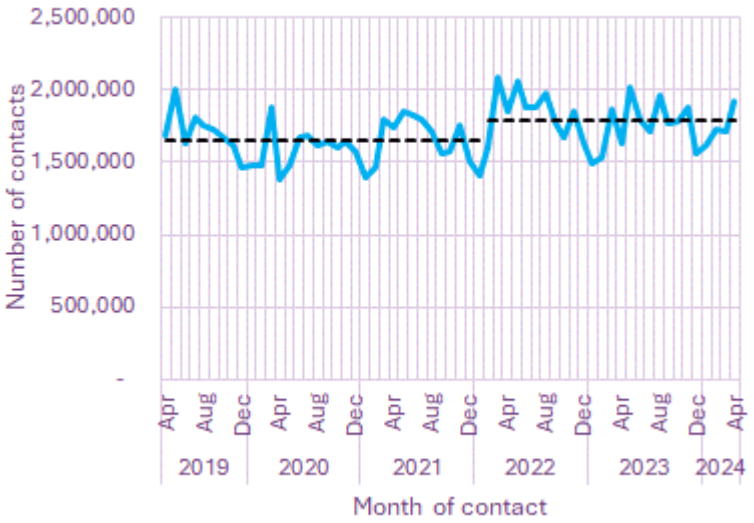
Case-weights by month, Nationally, July 2018 – April 2024



ED attendances by month, Nationally, July 2018 – April 2024



GP qualifying encounters, Nationally, April 2019 – April 2024



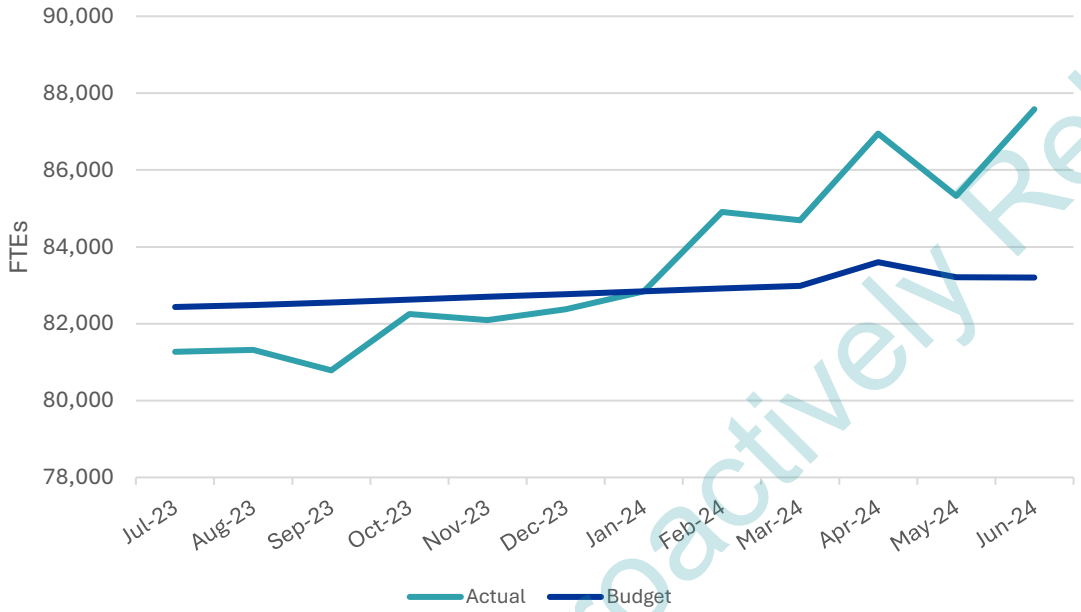
Data Sources: NMDS casemix included specialist medical and specialist surgical services based on purchase unit code mapping (note excludes maternity and specialist neonatal, paediatric and child, emergency, and specialist cancer services) and excluding non-public system provider agencies; NNPAC for ED attendances;

Personnel: Significant growth in FTEs and outsourced FTEs

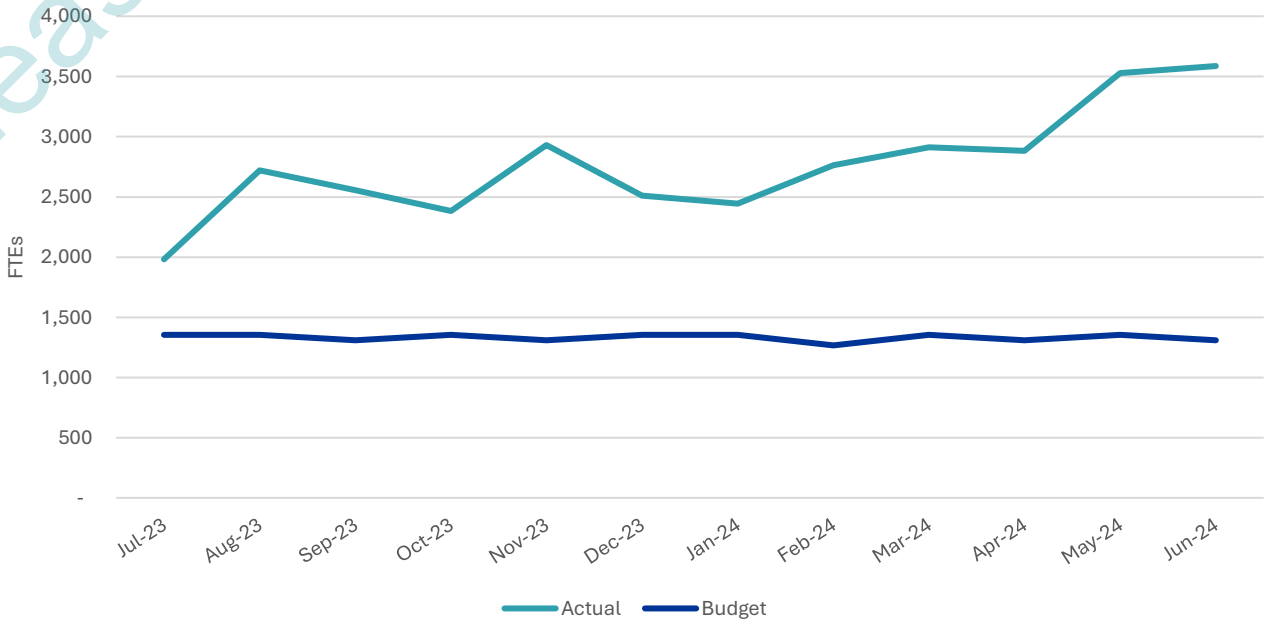
Most of the growth in internal FTEs is made up nursing personnel increase:

- Internal accrued* personnel FTEs were 4,380 over budget in June, nursing accounts for 85% of that increase.
- Increase in FTEs was multi-factored (large intake of graduate nurses, good results from international recruitment, disconnect of rostering from budget on the ground).
- Average cost of nursing has increased from $120k to $132k / nurse in the last year (a 10% increase), due to pay equity and MECA settlements in the last year

Actual internal FTE compared to budget – FY23/24 (accrued)



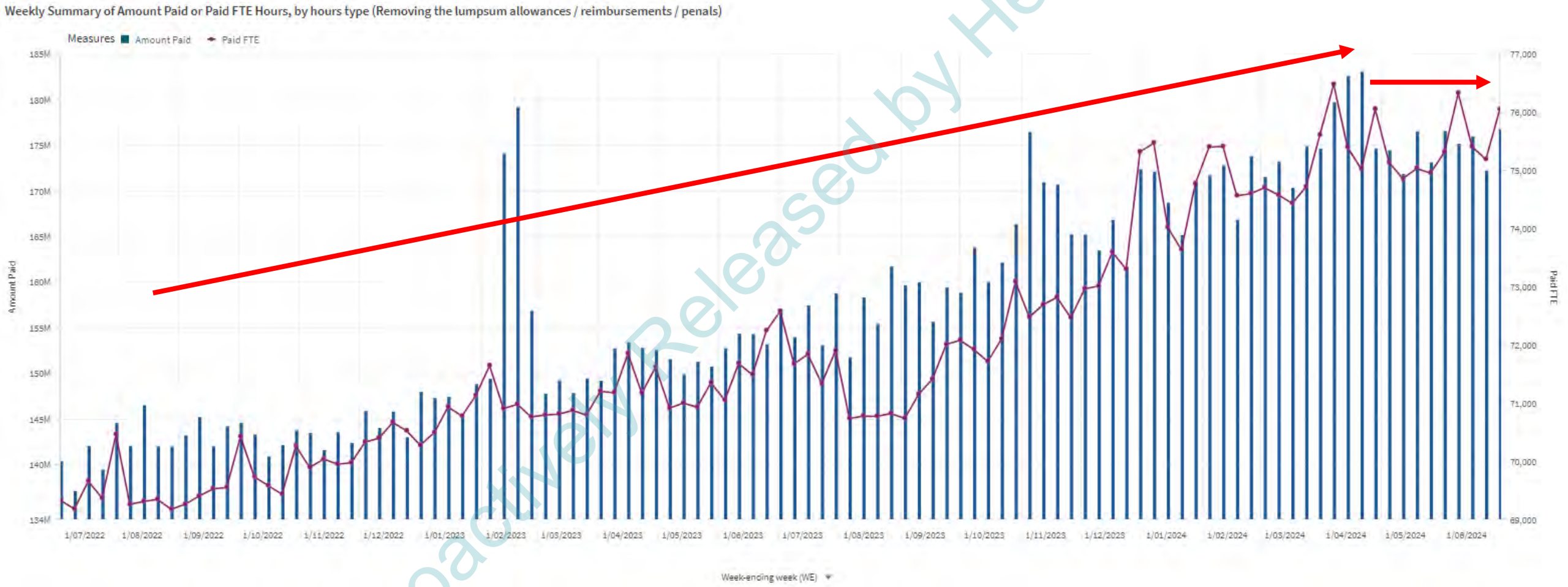
Actual outsourced FTE compared to budget – FY23/24 (accrued)



*Accrued FTE is the number of hours required to staff the organisation. It includes accrued annual leave, time off in lieu, and statutory holiday credits.

Personnel: Weekly Hours and expenditure has stabalised

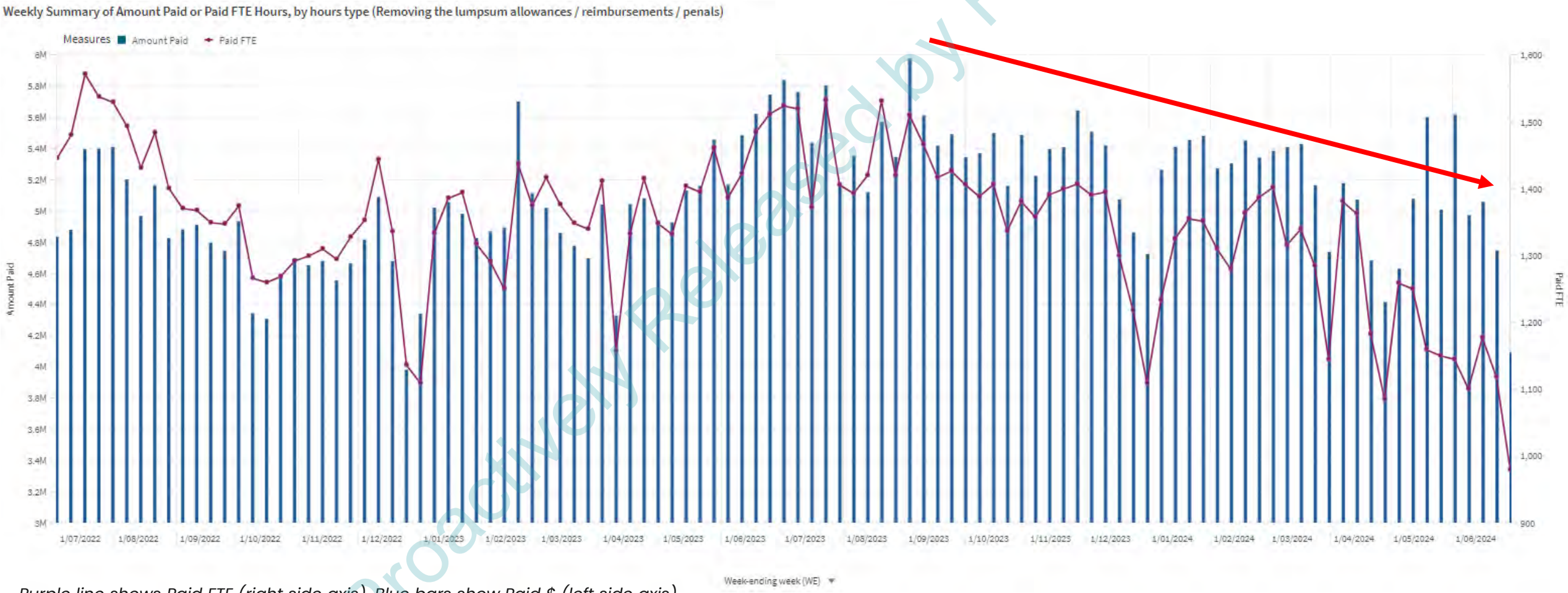
The change in the red line shows that total Paid FTE has plateaued at a slightly lower level, since its peak in April 2024.



Purple line shows Paid FTE (right side axis), Blue bars show Paid $ (left side axis)

Personnel: Weekly Overtime Hours and expenditure is down

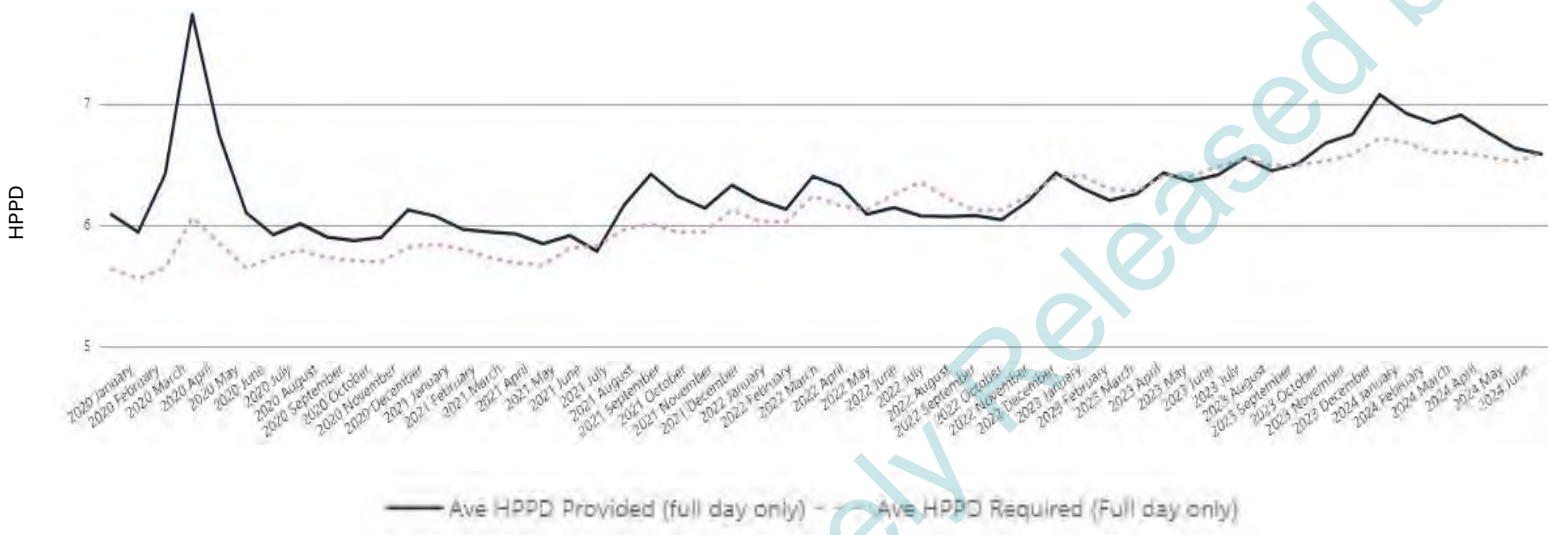
There is a clear downward trend in overtime from a peak in September 2023. However, the size of the decline is not large enough to offset the increase in internal FTE (it's 10 times smaller).



Purple line shows Paid FTE (right side axis), Blue bars show Paid $ (left side axis)

Control: nursing hours/patient day is back to requirements

Average hours per patient day (HPPD) – Nursing, Jan 2020 – Jun 2024



Source: Trendcare

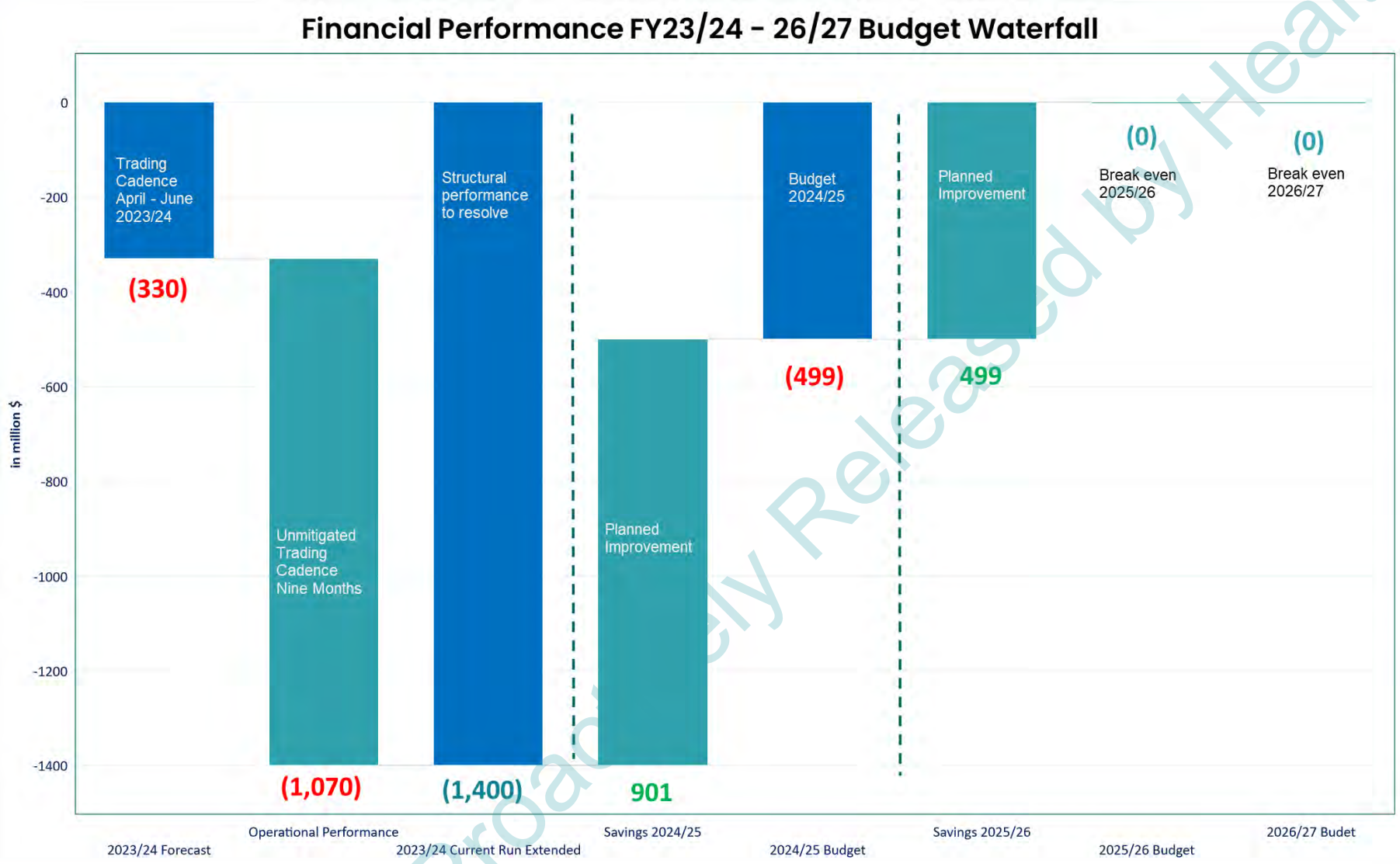
Rostering and overtime is beginning to come under control.

Since Sept 2023, provided hours (blue line in top line graph) was trending above what was estimated as required (dotted red line).

Since controls were re-introduced in March 2024, this variance has reduced substantially. In July hours provided and required are converging again.

Reducing variation across the country is another key objective. Currently there is over allocation to need in South Island districts (especially Canterbury) and under allocation in Waikato.

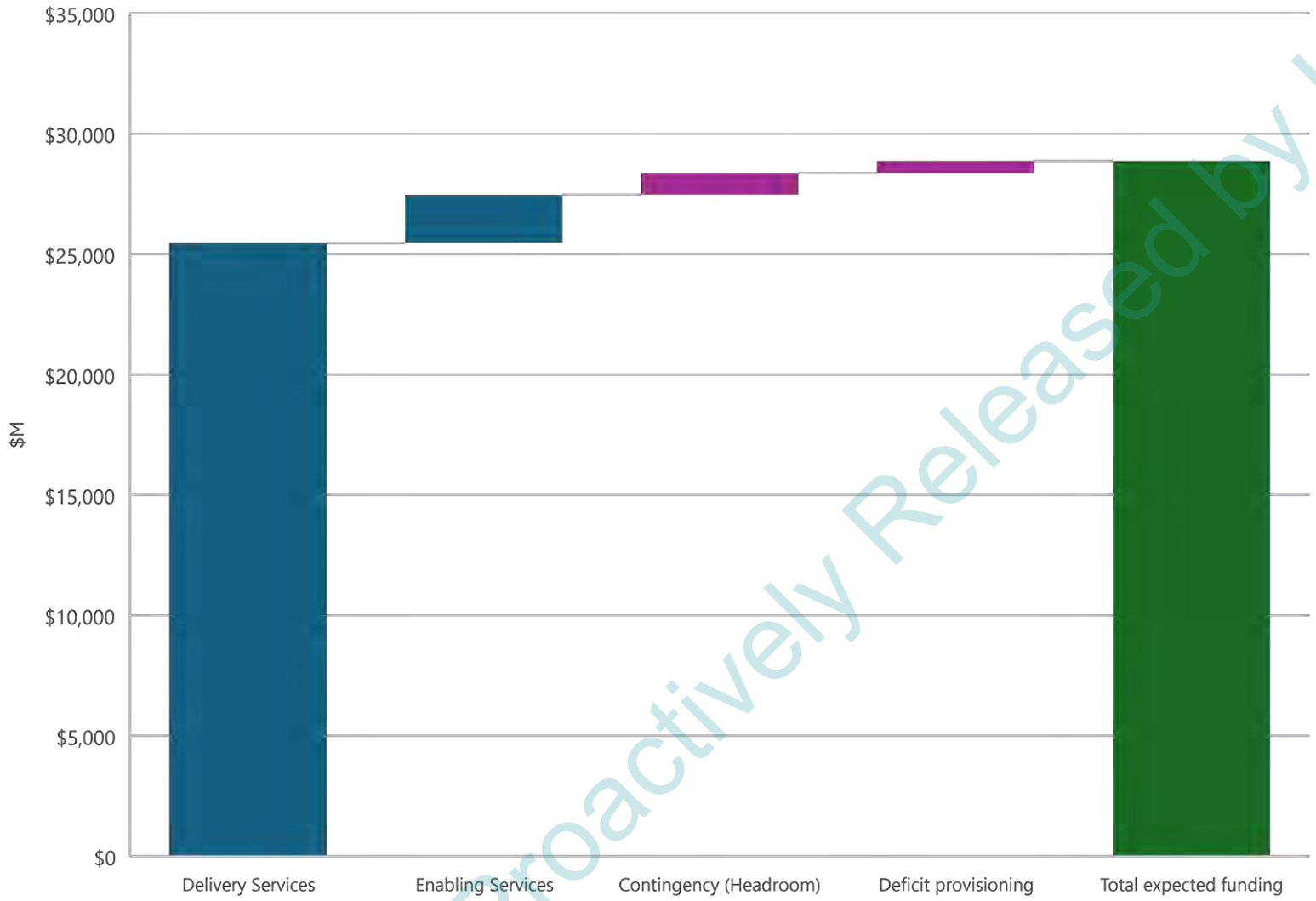
Moving forwards – 2023/24 to 2026/27



- The budget strategy for Health NZ is to return to a break-even position within no more than two years.
- Themes for the next three budgets will be:
  - 2024/25 – Reset/Refocus
  - 2025/26 – Breakeven
  - 2026/27 – Value-add
- Savings of at least $900M in 2024/25 and $500M in 2025/26 are required.
- A stretch target over the next eighteen months valued at $2 billion in 2024/25 is being used to drive focus and manage risk.

Budget 2024/25: Reset and Refocus

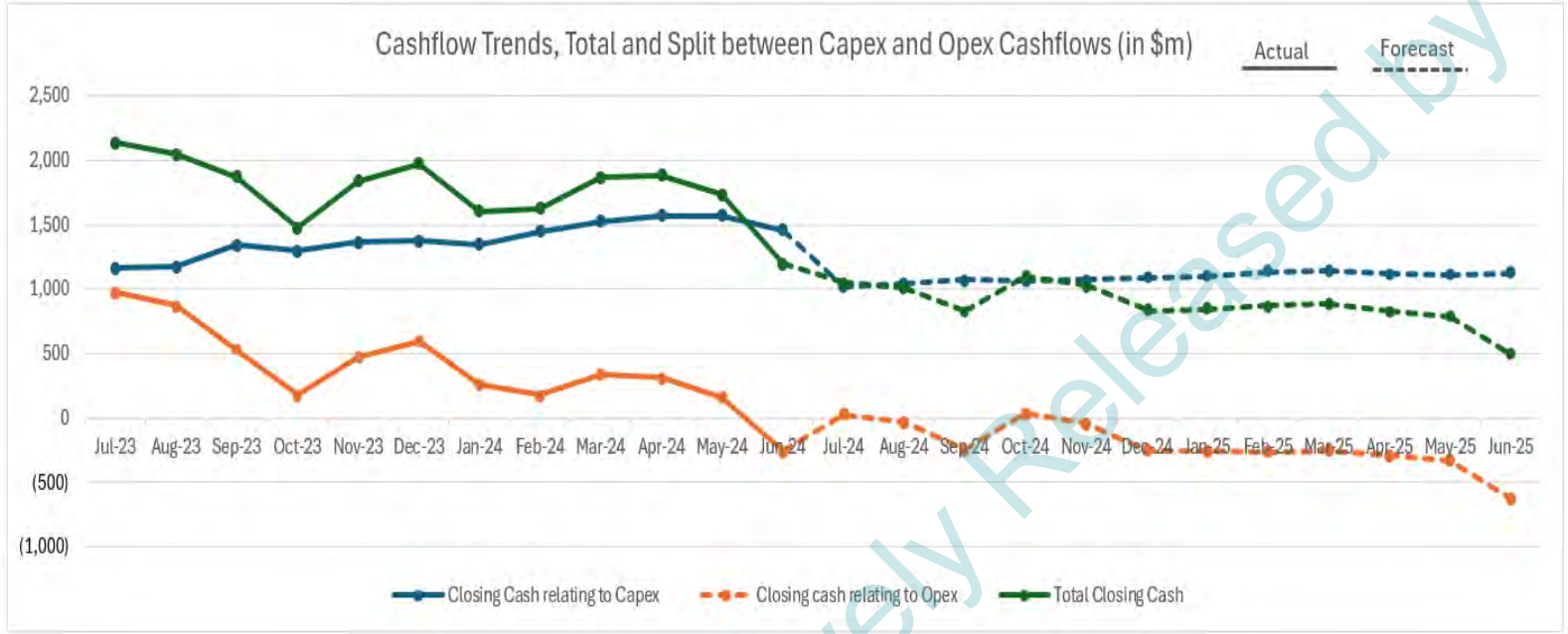
Key budget allocations for 2024/25



- Budget allocations to drive refocus on controlling costs, and optimising back-office
- $25.5billion to Delivery Services- prioritising resources to frontline, with $15billion to Hospital & Specialist Services
- $0.9billion contingency created - top-sliced allocations to Delivery (-4%) & Enabling Services (-17%)*
- Examples of contingency items: MECAs, funded sector sustainability (e.g. aged care), Pharmaceuticals / Bloods, restructuring costs, and investments that reduce net cost growth. High burden of proof to access the contingency
- The agreed deficit position in 2024/25 will enable safe acceleration in momentum re reducing run-rates

* % difference to 2023/24 run-rates (March to May)

Cashflow Forecast: 2023/24 Actuals and 2024/25 Draft SPE Forecasts



- Forecast cashflow shows anticipated results from a savings plan from January onwards, reducing the operating cash deficits (orange dotted line)…
- **… but, without allied and midwifery pay equity funding of $410million due in August**, cash will be below zero for a substantial part of the 2024/25 year.
- We will need to access funds earmarked for capital expenditure.
- Constraining the capex pipeline (which has been underspent the last two years) could compromise future capacity into the system.

Next Phase: Actions Underway & next steps

2024/25 is Reset aims to arrest over expenditure, reduce cost structures, engage clinical leaders in decision making closer to the bedside

- Regional structures – locus of control for clinical service delivery closer to frontline with reciprocal accountabilities to meet National Health and Mental Health targets and live within their means.
- National/regional clinical leadership through National Clinical Networks to reduce unwarranted variations, tackle post code lottery and lead on productivity.
- Internal budgets set at less than expenditure run rate to create $900m in savings held as contingency against 24/25 target $400m deficit.

Outcomes	Actions
Reduce FTEs and cost/FTE	Rightsizing non-clinical functions to reduce management/admin FTEs to an affordable level. Reducing contingent workforce. Improved leave management.
Better manage clinical workforce to live with-in budgets and be more productive	Ensure that relevant information flows to regional decision makers to manage operations more effectively.
Re-focus work programme	Rationalising the number of projects – will stop those that are not delivering benefits and only start those that have a clearly defined return and benefit.
Reduce cost of service delivery in particular by eliminating low value expenditure	Procurement and supply chain efficiencies and savings – consolidating across existing and new commercial agreements. Reduced travel, reduced consultant spend, office accommodation consolidation, etc.
Value adding commissioning and capex planning	Rationalising lower-value contracts and low value surgical/medical interventions, revenue optimisation, management of capped demand community programmes, capital rephasing.

Health New Zealand
Te Whatu Ora

Aide-Memoire

Regional Deputy CEOs

To	Hon Dr Shane Reti, Minister of Health	**Report No**	[Name]
From	Margie Apa, Chief Executive, Health New Zealand	**Date**	29/07/2024
Copy	n/a	**Security level**	**In Confidence**

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Margie Apa	Chief Executive	s 9(2)(a)	x

Purpose/Background

This Aide-Memoire briefs you on the Regional Deputy CEO appointments to be announced. The timing to be decided with your Office. This aide memoire advances on previous advice (HNZ00055366 refers) provided 21 July 2024.

Context

Following its announcement of a major management reset on 23rd July, with the support of the then Board and current Commissioner, I have appointed four highly experienced health leaders into the roles of regional Deputy Chief Executives. These roles are fixed term for 12 months minimum from start date to support the establishment and progressive devolution of more functions into the regions.

Key performance indicators of priority are a significant uplift in National Health Targets including Mental Health Targets and getting expenditure back to budget. A consultation process to shift reporting lines for regional Hospital & Specialist and Commissioning functions is underway to align operational responsibilities. This is expected to conclude by 19th August.

The new Deputy Chief Executives will hold budgets and accountability for their regional hospital services and the health services we fund others to provide. This is so they can join up care across community and hospital services. What health services are delivered in each region, how and where they are delivered and by whom will be informed by clinical leadership and be responsive to local and regional stakeholder input and feedback.

Regional Deputy Chief Executives

The essential person specifications that we sought for these roles included:

- Operational leadership experience in health service delivery spanning multiple hospitals and/or networks of providers including community based.
- Can integrate and consolidate a financial and non-financial picture of operations and take practical and timely steps to improve performance where required.
- Lead people through change, in particular experience in engaging clinical leadership in key decisions.
- Proven ability to build and maintain strong stakeholder relationships, manage conflicting priorities and communicate complex information for a broad range of audiences for performance improvement.
- Have experience and demonstrated ability to work within budgets, reduce cost without compromising quality and safety of care.
- A commitment to improving the experience of patients, whanau and communities including outcomes for high need population groups in New Zealand.

The four new Deputy Chief Executives and their respective regions and start dates and a brief profile follows:

Region	Establishment Deputy CEO	Start date
South Island | Te Waipounamu	Martin Keogh	16th September
Central | Ikaroa	Robyn Shearer	19th August
Midland | Te Manawa Taki	Catherine Cronin	2 September
Northern	Mark Shepard	19th August

South Island | Te Waipounamu: Martin Keogh

Martin is an accomplished health service executive with expertise in leading complex businesses, strategy development, operational management and continuous service improvement. Martin was Chief Operating Officer for eight years and then interim Chief Executive for almost a year at Monash Health in Melbourne. Monash Health is one of Australia's largest and most comprehensive health services providing 'cradle to grave' clinical services through its 8 major hospital sites along with 40 community sites. During his time at Monash Martin spearheaded operational and strategic delivery of Victoria's largest mass vaccination and outbreak management supports during COVID and oversaw major digital capital investments and improved patient outcomes through the introduction of innovative virtual ED and telehealth models. Martin's nursing leadership experience spans intensive

care, emergency and acute flow at Alfred Health, Melbourne before he became Clinical Service Director - Emergency & Acute Medicine.

Central | Ikaroa: Robyn Shearer

Robyn comes to this role from her previous position as Deputy Director General – Clinical, Community and Mental Health at the Ministry of Health. Robyn is a respected, strategic leader with a proven track record in health and disability sector senior operational and strategic management roles. Those roles included Deputy Director General DHB Performance, System Performance and Monitoring and establishing and leading the Mental Health Directorate. Robyn has held a range of executive leadership roles from 2019 – 2024 at the Ministry of Health. Before the Ministry of Health she was Chief Executive, Te Pou o te Whakaaro Nui for 10 years. Te Pou (for short) was the national workforce development centre for mental health and addictions. Robyn's mental health nursing career spans Bay of Plenty and Waitemata DHBs, Greenlane Hospital and General Management at Taranaki DHB.

Midland | Te Manawa Taki: Catherine Cronin

Cath has served in executive roles in public health in Melbourne and Auckland since 2006. Cath also worked at Monash Health as interim Chief Operating Officer Acute Services, Deputy Chief Operating Officer Monash Surgery and Director Transformation from 2019 to 2024. From 2012 – 2019 Cath has worked at Waitemata District Health Board as Director Hospital Services and before that Clinical Director, Surgical Services at Alfred Health. Cath's nursing career pre-2006 spans a diverse range of specialties at Waikato Hospital, National Women's, Auckland Hospital, Royal Children's Hospital Melbourne, Middlemore and The Alfred. Cath is looking forward to returning home to Waikato to be closer to her family, bringing her experiences to benefit whanau and communities in the Midland | Te Manawa Taki region.

Northern: Mark Shepherd

Mark is currently Regional Director, Hospital & Specialist Services for the Northern Region and will take up his broader post as Deputy CEO for the Northern Region from 19th August. Mark brings broad health sector expertise, encompassing strategic and operational management, including executive level clinical service, operational, financial and performance management. His most recent roles include Executive Director, Hospital Services, Waitematā District Health Board from 2020 – 2022 and locumed as Chief Operating Officer, Peter MacCallum Cancer Centres Melbourne, Victoria and Sunshine Coast University Hospital, Sunshine Coast. Mark has held executive leadership roles at South Eastern Sydney Local Health District, Nepean Blue Mountains Local Health District and general management roles in hospitals throughout New South Wales where he began his nursing career. Mark came to New Zealand for a short-term

opportunity and finds himself still here four years later because he has thoroughly enjoyed working in New Zealand.

Appendix

1. Consultation Document – Lifting Performance

Margie Apa
Chief Executive
Health New Zealand

29/07/2024

Hon Min Reti
Minister of Health

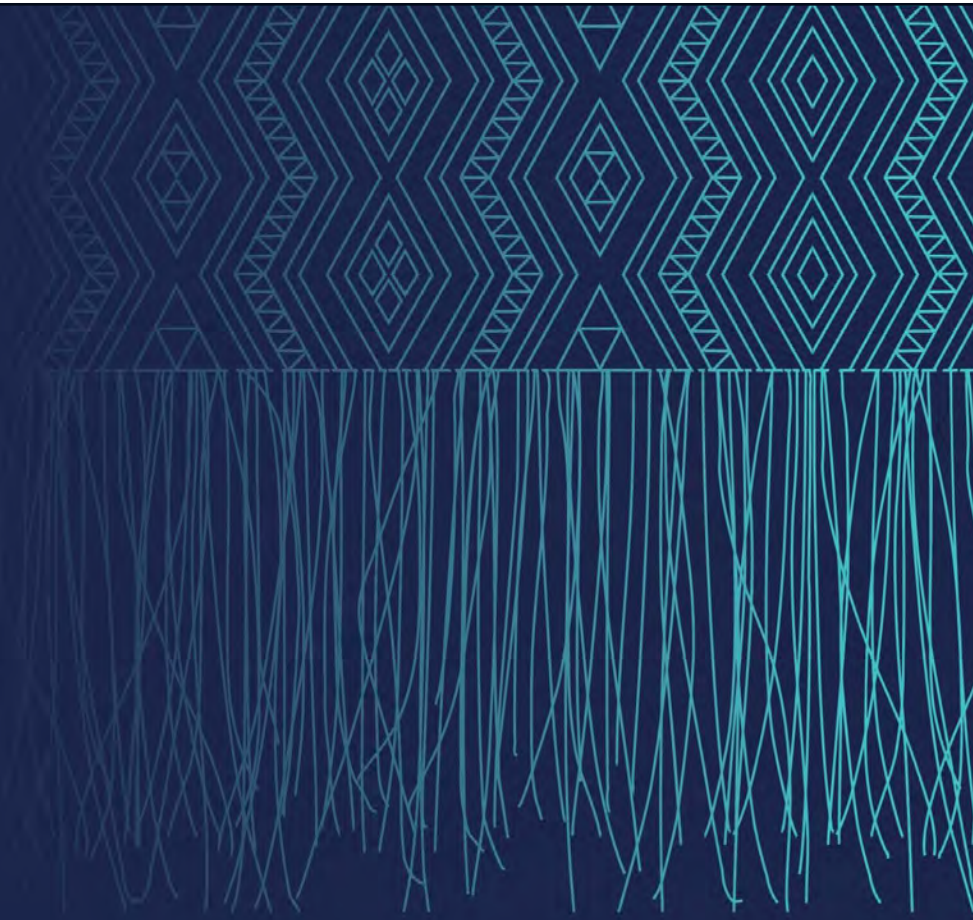
..... / ..... / .....

Health New Zealand
Te Whatu Ora

Lifting Performance by Empowering Regions

Consultation Document

24 July 2024



CONTENTS

SECTION 1: Foreword

Kia ora koutou,

Thank you, leaders and teams, for your work to date on ensuring continuity of service and delivery to New Zealanders this past year.

Health NZ is on a 3-year journey to lift our performance and delivery on the National Health Targets that are core for the NZ Health Plan. To ensure we are well positioned to meet our objectives, we need to review our leadership structures.

For this next phase of change I propose to align more specific accountabilities for delivering on National Health Targets for New Zealanders to regions, with delegations to enable decision making on how we deliver care closer to patients, whānau and their communities within the resources available.

We also need to be well positioned to support improvement actions and reliably report on our performance. We completed a review of the process underlying publication of clinical data last year, and have been implementing its recommendations, and now need to make further changes to accelerate this improvement.

The Lifting Performance by Empowering Regions proposal will focus on the following key objectives:

- Lifting Health NZ's performance by empowering regions and enabling devolution of more authority – with clear accountabilities – to regional integrated leadership;
- Consolidating further by shifting national teams responsible for performance improvement, commissioning and data reporting under the accountability of one executive leader; and
- Accelerating implementation of last year's "Review of the process underlying the publication of clinical data" by consolidating the functions responsible for the collection, aggregating and reporting of data under one span of control.

I am mindful of where many teams are at in their change journeys, and this could be seen to further complicate change not yet fully implemented.

I aim to achieve this change by proposing to disestablish positions and shifting reporting lines of existing teams. We will pause recruitment to vacancies as there is likely to be more efficiency gains when we merge teams together under different executive leadership roles.

Decisions made prior to this proposal

Create Establishment Deputy Chief Executives (DCEs), Regions positions

With the Board's endorsement, I have consulted and made the decision to create four Establishment Deputy Chief Executives. These roles will be interim for a period of 12 months. I have recently considered candidates and will make appointments shortly so we can build up resources to support regions while also taking time to recruit permanent leadership to be in place from 1 June 2025. In this proposal we are consulting on the proposed changes of reporting lines and proposed disestablishment of regional positions as a consequence of the Establishment DCE positions.

Disestablishment of National Directors, Hospital & Specialist Services and Commissioning

Given the scope and accountabilities of the Establishment Deputy Chief Executive roles, and the level of oversight and senior leadership they will provide regionally, the national positions of National Director, Hospital & Specialist Services and the National Director Commissioning have been disestablished.

SECTION 1: Foreword

Decisions made continued

Interim Director Data and Digital and Commissioner for Hospitals

I am also creating two other 12-month interim leadership roles. An appointment to the Director Data and Information reporting to National Director System Planning, Performance and Improvement (previously National Director SI&I), will soon be made. I am also establishing an interim Commissioner for Hospitals reporting to the National Director System Planning, Performance and Improvement. The process to appoint to this role will commence in the coming days.

Summary of proposed changes

I am consulting on the following proposed changes:

- Regional Wayfinders in Commissioning and their teams and budgets would shift to report to Establishment Deputy Chief Executives, with a change in their titles to Regional Commissioners;
- Proposed disestablishment of the Regional Directors (HSS) and changes in reporting lines for Executive Assistants;
- National teams in HSS and Commissioning would shift their reporting lines to the National Director System Planning, Performance and Improvement (previously National Director SI&I). This is to achieve consolidation of planning, performance reporting and analytics, commissioning and improvement including HS&S Delivery unit functions into one team;
- Structures responsible for Data Services, National Collections as well as leads managing coders in HSS would shift to report to the new interim Director Data and Information team. This brings the end-to-end journey of data collection, its extraction, aggregation, validation and reporting under a single senior leader;

I acknowledge that these shifts and proposals have been enabled by the existing capacity and capability built by the current leaders and mihi to them and all their teams for the work undertaken to date to support the system's delivery.

Feedback

I am seeking feedback on this consultation proposal, primarily from those in roles that are significantly affected and those where the reporting lines are proposed to change.

Please take time to consider the proposed change and the potential implications for your role. I would appreciate you providing written formal feedback through "What Say You" by 5pm Wednesday 7 August 2024.

I will consider your feedback fully and anticipate coming to a decision the following week.

Given that we are still transitioning from the Simplify to Unify change programme and that we do not yet have a joined-up payroll and information management system across the organisation, I am aware that we may not have totally accurate information in terms of position titles, people in positions etc. We apologise for any inaccuracies in the data and ask that you draw this to our attention as soon as possible, so we can correct it and assess how that may impact on you and your colleagues. If you are on a fixed term or a secondment, we will talk with you about the impact on your role.

I appreciate that this is an unsettling time for you, and we have our EAP support and career support services available.

Ngā mihi,
Fepulea'i Margie Apa
Chief Executive

SECTION 2: Rationale for Change

Why now?

We can do this proposed change now because we have advanced initiatives to enable devolution and maintain transparency in activity at local and regional levels.

This is to ensure we are achieving consistency where it matters and that we can target improvement initiatives to support variations in deliver.

These national initiatives include:

- National Clinical Networks who will set standards, prioritise pathway development and implementation of key clinical service initiatives to ensure we progressively reduce 'post code' lottery access;
- We now have 100% of our financial transactions on Finance and Procurement Information Management (FPIM) system compared to when we started on 1 July 2022 at less than 50%. This means that we have greater transparency on cost of provision across the country, enabling benchmarking against output delivery and financial controls against budget;
- We have national levers to grow and target workforce growth quickly and when required. The time to recruit for many professional groups have reduced to the point where we have recruited ahead of budget for a number of groups; and
- The establishment of the National Data Platform that consolidates data from National Collections enables access to datasets on activity and impact across the system that supports local and regional visibility. This is not just of our own but increasingly being able to see and compare across other services across the country in hospitals. There is more work to do to increase visibility of funded sector activity, but this will improve over time.

Operating Model and Decision Making

Currently we have regions and local teams that are disconnected from decision making and this has resulted in less ownership of budgets and internal controls to manage resources they have.

In addition, national spans of management control (ie the breadth of service coverage that some of our executive leadership team manage) are being aligned to core functional accountabilities to be effective and agile at intervening in performance improvement and providing the resources to support local providers and services that need help.

We need an operating model that reduces the layers between governance and delivery of care and ensures that the right decisions are made at the right parts of our organisation, by:

- Setting clear targets, performance expectations, and clinical and planning standards at a national level; while
- building accountability at a regional and local level, lifting regional leadership to the executive team, and right-sizing enabling functions to service regions accordingly; and
- having integrated performance monitoring available operationally but also to ensure that performance expectations are being managed appropriately and to intervene quickly, if not.

SECTION 2: Decision on Establishment Deputy Chief Executives (DCEs)

Four Establishment Deputy Chief Executives (DCEs), Regions

We have created four Establishment Deputy Chief Executive (DCE) roles who report directly to the CEO. The Establishment Deputy Chief Executives will have accountability for regional delivery of healthcare.

With the Board's endorsement, I have consulted and made the decision to create four Establishment Deputy Chief Executives. These establishment roles will be in place for a 12-month period to build the capability and capacity for regions. In December we will commence a recruitment process to appoint permanently to the Deputy Chief Executive roles, to be in place by 1 June 2025.

The benefits of Establishment DCEs:

- regions have a manageable span of control to achieve focus on performance and living within our means
- joining up care across prevention, primary and hospital care to help people with preventable conditions and stay well and independent.
- within national guidelines, tailoring services to meet regional needs for people, particularly those who have multiple needs as populations age.
- using collective resources as effectively as possible, so people receive care as quickly as possible across regions.
- enabling innovation that is tailored to meeting local needs
- supporting people with long-term conditions or mental health issues.
- improving the health of children and young people.

The Establishment Deputy Chief Executive will:

- be accountable for the delivery of National Health Target performance for their region, working collaboratively with their regional and national counterparts to ensure consistency of access including improving access and health outcomes for high need patient groups and their whānau;
- be accountable for delegated budgets and staff for the delivery of the Government's priorities in the NZ Health Plan and meet minimum service coverage requirements for their region;
- regionally lead out national priorities, ensure integration of planning, prioritisation and performance delivery meet the needs and impact on health outcomes within regions.
- lead work for whole of system to ensure all stakeholders are involved in how health services are delivered in regions.
- work with current enabling leads to ensure the regions are serviced by enabling functions eg Data & Digital, Infrastructure & Investment, Finance, P&C
- be accountable for improvement in regional and local performance against national performance targets

Over the next 12 months we may shift more functions and/or resources as required. During this time, the level of servicing (quantity and quality) will be negotiated with enabling functions – Finance, People & Communications, Data & Digital, Infrastructure and Investment to ensure prioritisation within available resources and responsiveness to service needs.

SECTION 2: Expectations of Regions

Expectation of the regions is that they each:

- *Join up services:* primary and secondary care collaboration on pathways to ensure patients experience of care is seamless and have authority to allocate resources across the continuum.
- *Partnerships* across services and regions supported by their jointly developed integrated care strategies.
- *A single approach to workforce:* so, people can take on new roles, enhance their skills and work more flexibly across different organisations including across hospitals.
- *A focus on prevention:* using data and population health management approaches to pro-actively identify local people most at risk and the services they might need and have the delegation to shift those resources where it makes more sense for patients
- *Devolving to 'place level' within a system:* bringing local people and partner organisations together to decide what services are needed and setting up integrated neighbourhood teams to deliver them. This includes working with IMPBs and community provider networks to better match community needs with services.
- *Joint working in provider collaboratives:* local providers working together across multiple places to reduce unwarranted variation of services, share resources so they can be more resilient, and providing specialist or consolidated services where this brings better outcomes and value for money.
- *Supporting social investment* through regional partnerships work in partnership with regional and local social sector agencies to enable early intervention, target resources at high need patients and their whanau.

Section 3: Proposal – National HSS and Commissioning Support Roles

Disestablishment of National Directors, Hospital & Specialist Services and Commissioning

Given the scope and accountabilities of the Establishment Deputy Chief Executive roles, and the level of oversight and senior leadership they will provide regionally, the national positions of National Director, Hospital & Specialist Services and the National Director Commissioning roles have been disestablished.

Proposed Changes to current roles

With the disestablishment of the National Director Commissioning function and National Director Hospital and Specialist Services function there are potential flow on effects for the roles that support these functions.

Creating the proposed regional structure and consolidating national functions into the proposed System Planning, Performance and Improvement business unit, there would be duplication of support services. This duplication is across Executive Assistants, the functions in the Office of the National Directors and positions currently supporting the disestablished National Directors .

We are proposing the Office of the Wayfinder (proposed change in title to Office of Regional Commissioner) will provide government support services such as OIA, PQ preparation and other support services across the Establishment Deputy Chief Executives team. We are proposing to change the title to Regional Commissioners and the office would have a change in title to the Office of the Regional Commissioner.

In System Planning, Performance and Improvement (current SI&I), the existing Director of Operations team, will continue to provide these services for the proposed new business unit.

We are proposing to disestablish the following positions:

Commissioning

- Executive Assistant to the National Director
- Director Office of the National Director Commissioning and all positions in the teams reporting to the position
- Chief of Staff
- EA to Chief of Staff and Director Māori Services
- Programme Manager Capability
- Strategic Advisor Capability Development

Hospital and Specialist Services

- Executive Assistant reporting to the National Director Hospital & Specialist Services
- Director Office of the National Director HSS and all positions in the teams reporting to the position

We are also proposing to disestablish two vacant leadership roles currently reporting the then National Director Hospital and Specialist Services:

- Group Manager – Risk & Quality Assurance (vacant)
- Director Māori Services (HSS) (vacant)

We are proposing to change the title of Regional Wayfinders to Regional Commissioners.

Section 3: Proposal – Functions and Roles Reporting to Establishment Deputy Chief Executives, Regions

Functions and roles reporting to Establishment Deputy Chief Executives, Regions

To strengthen integration of regional functions we are proposing to bring together the HSS Group Director Operations (GDO) and regional Commissioning to report to Establishment Deputy Chief Executive positions in each region.

By merging these regional functions, regions can be accountable for:

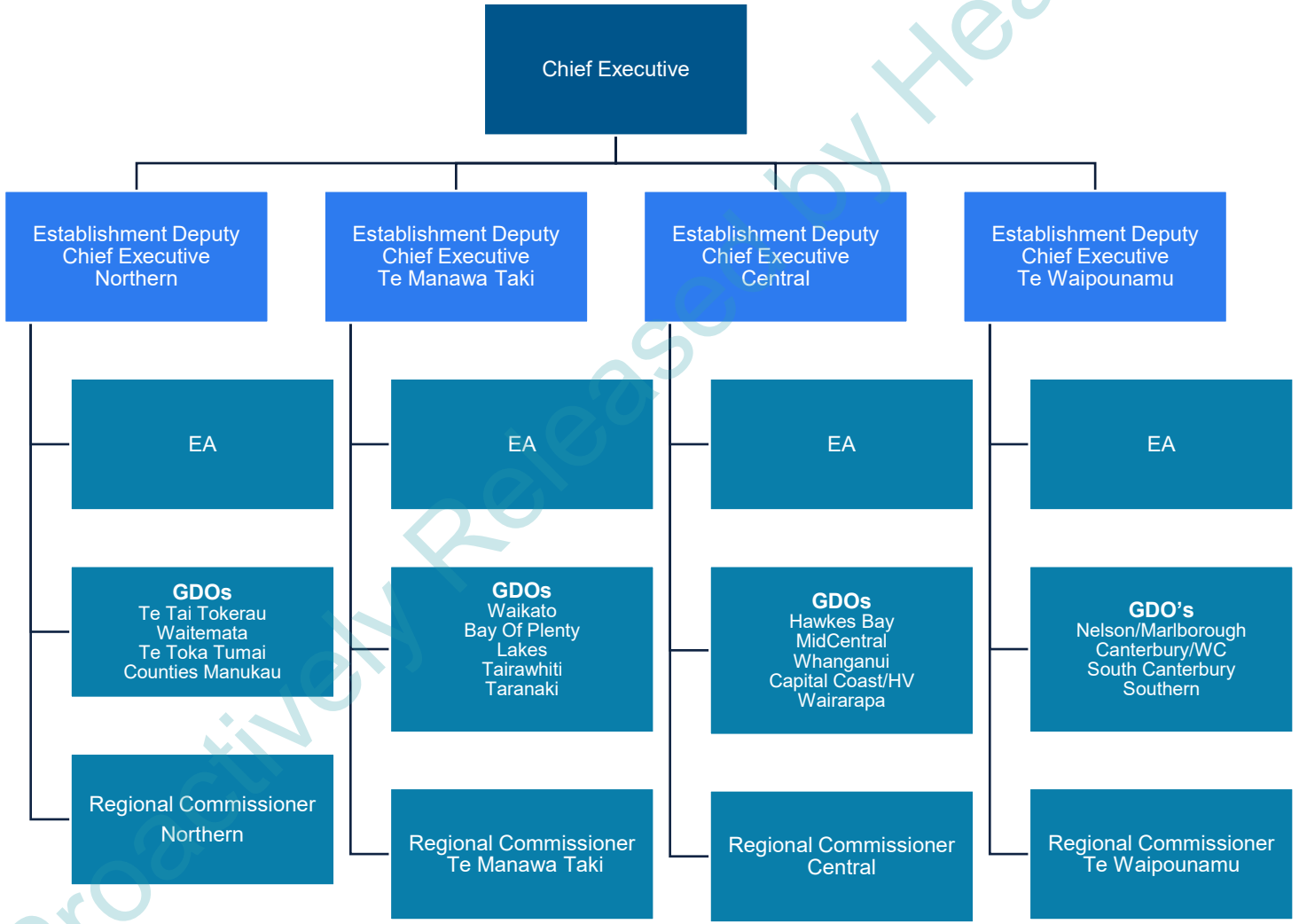
- Implementing national programmes of change to improve timely access to quality care on agreed initiatives
- Integration of care at a regional and local level to enable whole of system supports in the implementation of National Health Targets
- Leverage regional commissioning for devolved funding to influence demand growth from communities and support hospital and specialist service pressures.

Proposed Changes to current roles

To shift responsibilities for HSS and Commissioning functions to the Establishment Deputy Chief Executives the following changes are proposed to current positions:

- Propose to disestablish the Regional Director (HSS) positions.
- Executive Assistant positions currently reporting to the Regional Directors would change reporting line to the Establishment Deputy Chief Executive in each region.
- Group Directors Operations (GDOs) would report directly to the Establishment Deputy Chief Executive in each region. This has the added benefit of removing an operational layer from our structures improving both management spans and improving communication lines.
- Regional Wayfinder (Commissioning) position in each region changes reporting line to the Establishment Deputy Chief Executive, with a change in title to Regional Commissioner.
- The Office of the Regional Wayfinder (title change to Office of Regional Commissioner) would provide support across all functions within the Establishment Deputy Chief Executive structure and would continue to report to the Regional Commissioner. This would ensure that the Regional Commissioners continue to have the necessary infrastructure around them to support their roles.
- During consultation we will work with procurement and supply chain to work through several options for future reporting arrangements.

Section 3: Proposal – Establishment Deputy Chief Executive Structure



- Current role
- Interim Roles in place
- New Position
- Change of reporting line
- Additional functions added and change in title

SECTION 3: Proposal – System Planning, Performance and Improvement Business Unit Functions (current SI&I)

System Planning, Performance and Improvement Business Unit functions

The current S&I business unit will be renamed the System Planning, Performance and Improvement business unit are we propose to incorporate the current functions of Service Improvement and Innovation (SI&I) and additional functions with the inclusion of all commissioning (including HSS), HS&S performance programmes, strategy, performance, planning and HSS systems delivery functions.

We are proposing two key changes:

- Merger of commissioning teams for the funded sector ***and*** hospital & specialist services. This enables a whole of system and pathway approach to how we fund care from a patients' perspective;
- Integration of functions that seek to work with regional and local delivery to improve performance. This includes intervening in failing services, providers and/or services (both hospital & specialist and in funded sector) that may present with clinical and service risks.

Consolidate national teams responsible for performance improvement, reporting and commissioning

We are proposing to shift national teams responsible for performance improvement, commissioning and data reporting under the accountability of one executive leader, the National Director System Planning, Performance and Improvement and to consolidate the functions responsible for the collection, aggregating and reporting of data under one senior leader within System Planning, Performance and Improvement.

Within the System Planning, Performance and Improvement business unit we are proposing to consolidate national teams that are responsible for:

- Performance improvement of hospital and specialist services and provider networks;
- Enabling commissioning as a lever to improve population health and access to services across the whole pathway of care from prevention and primary to secondary care;
- Data driven and evidence-based decision making by joining up our analytic resources to ensure one source of truth on key indicators, enabling benchmarking of delivery and comparative costing.

From 24/25 we will continue to embed a casemix model more comprehensively across the system and return to price volume schedules for the allocation of funding to regions.

This is to align delivery of outputs to funding and will support efficiencies across the country. The first two years of consolidation we did not devolve revenue and will undertake to do this from 24/25.

SECTION 3: Proposal – System Planning, Performance and Improvement Business Unit Functions (current SI&I)

End to end accountability for data collection, aggregation and reporting

Assuring New Zealanders that we are delivering timely access to quality care means we need to tell our performance story with data that is reliable, consistent and available not just to our own teams but to the public.

We also need to rapidly support an eco-system of access to clinical and managers to enable them to make data driven decision making at all levels. This is a key capability to support devolution of responsibility and decision making – that we equip our teams with information not just on their own services but on others so they can compare and contrast transparently. This is a fundamental tenet to performance improvement that is driven from within our team of teams.

In 2023 we completed a ***"Review of the process underlying publication of clinical data on the website of Te Whatu Ora."*** Its key findings highlighted the many challenges and made recommendations to address the timeliness, accuracy and validation of data for operational management and public reporting.

Although we have made progress on many of those recommendations, I don't believe we have made enough progress to give me confidence we will support important initiatives such as National Health Target reporting sufficiently. The pathway to reporting connects across multiple functions from HSS, NPHS, D&D, SI&I, Māori Health. The spread of accountability for timeliness and quality of data across multiple leadership roles risks ongoing working in silos.

We propose to consolidate the span of control for this end-to-end pathway into System Planning, Performance and Improvement by shifting reporting lines for:

- Coders currently reporting to HSS
- National Collections currently reporting to Data & Digital
- Data Services currently reporting to Data & Digital.

There are analytic functions that have established themselves in other groups that are not joined up or working together to make best use of resources. We would like to review those when we have completed this change.

Working with Regions

It is important that the National Director, System Planning, Performance and Improvement and Establishment Deputy Chief Executives establish a way of working that:

- Enables regions access to data and analytic support that is responsive to their operational needs; and
- Has agreement on priority areas of performance improvement and the targeting of resources to support that work. National Health Target improvement is a key priority.

SECTION 3: Proposal – System Planning, Performance and Improvement Leadership Structure

System Planning, Performance and Improvement Leadership Structure

To bring together system planning, performance improvement and commissioning functions under the accountability of one executive leader we are proposing the following positions report to the National Director System Planning, Performance and Improvement :

The current Director positions, their direct reports and teams from Service Improvement and Innovation (SI&I):

- Director Population Gain, with a change in title to Clinical Director Planning and Population Gain
- Head of Strategy Planning & Performance with a change in title to Director Planning and Outcomes
- Director Health Equity
- Director Consumer Engagement & Whanau Voice
- Director Evidence, Research and Clinical Trials
- Director Te Whatu Ora Improvement
- Director Operations

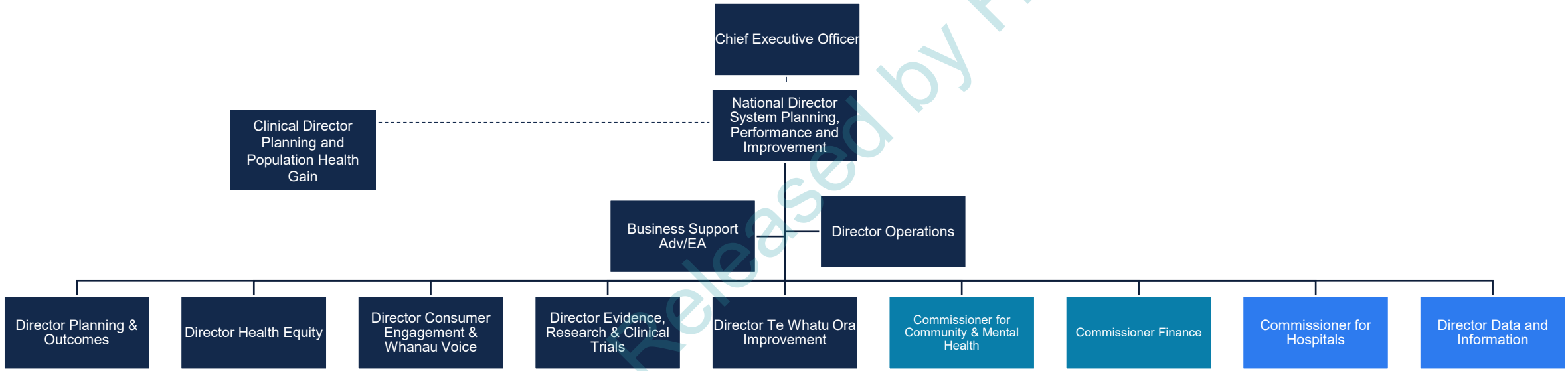
The following Commissioning positions, their direct reports and teams:

- Director Funding & Investment, with a change in title to Commissioner Finance. During the consultation period we wish to explore with this role how we strengthen the relationship with finance.
- Deputy National Director, Commissioning & System Design with a change in title to Commissioner Community & Mental Health

The addition of two interim positions:

- Commissioner for Hospitals
- Director Data and Information

SECTION 3: Proposal – System Planning, Performance and Improvement Leadership Structure



SECTION 3: Proposal – Shift and Consolidate National Commissioning Functions

With the proposal to shift and consolidate national commissioning functions within System Planning, Performance and Improvement we are proposing a Commissioner for Community & Mental Health and a Commissioner Finance team. There are also some current national commissioning positions that are proposed to be disestablished.

Commissioner for Community & Mental Health

We are proposing the commissioning functions and positions currently reporting to the Deputy National Director, Commissioning and System Design shift to the System Planning, Performance and Improvement business unit reporting to the Commissioner for Community & Mental Health.

The following positions and their teams will report to the Commissioner for Community & Mental Health:

- Director Starting Well
- Director Living Well
- Director Aging Well
- Director Mentally Well
- Chief Advisor – Disabled People Commissioning

We will continue to take a life course view to the population health outcomes we want to achieve for these consumer groups informed by the work of the Population Health team already in SI&I. The alignment of how we commission and fund the health system to impact on those outcomes is a key opportunity this shift will achieve.

We are proposing to change reporting line of the Clinical Director, Primary and Community Care Commissioning from the National Director Commissioning to the Commissioner for Community & Mental Health.

Commissioner Finance

The Commissioner Finance business group is the Funding and Investment team currently in Commissioning. We are proposing to bring this function into System Planning, Performance and Improvement as part of the consolidation and we are proposing to change the title of the current Director Funding & Investment to Commissioner Finance. There is no change proposed for the direct reports to the current Director Funding & Investment. During consultation we want to work closely with the team to understand and identify ways we can strengthen the relationship with finance.

Localities Design

The national localities team was set up to manage the Localities programme and pilots, support the setting up and managing of localities and provide and advisory function to regions. We have now devolved this work to regional and local levels and there is now no longer need for national support for local programmes.

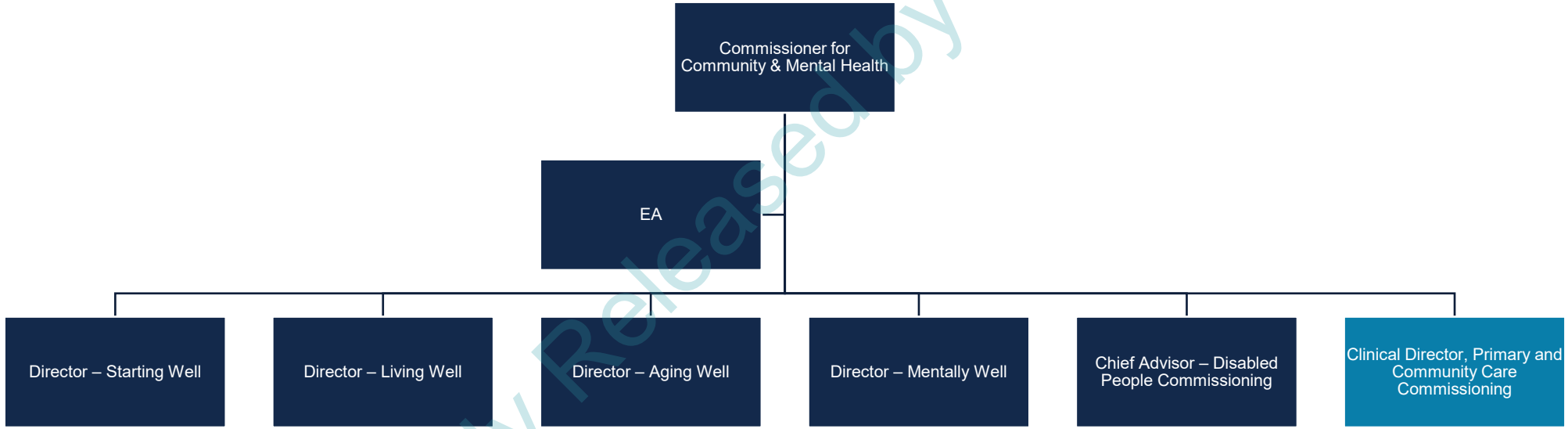
With this shift of functions to regional and local levels, we are proposing there is no longer a need for a national design team, and we are proposing to disestablish:

- the Director Localities Design (vacant) position and all positions reporting to this position.

Director Māori Health

We are proposing to disestablish the Director Māori Health and the Chief Advisor Māori Health, as the Hauora Māori Services business unit would provide support and services across Health NZ and therefore there will no longer be a need for this stand-alone role within System Planning, Performance and Improvement .

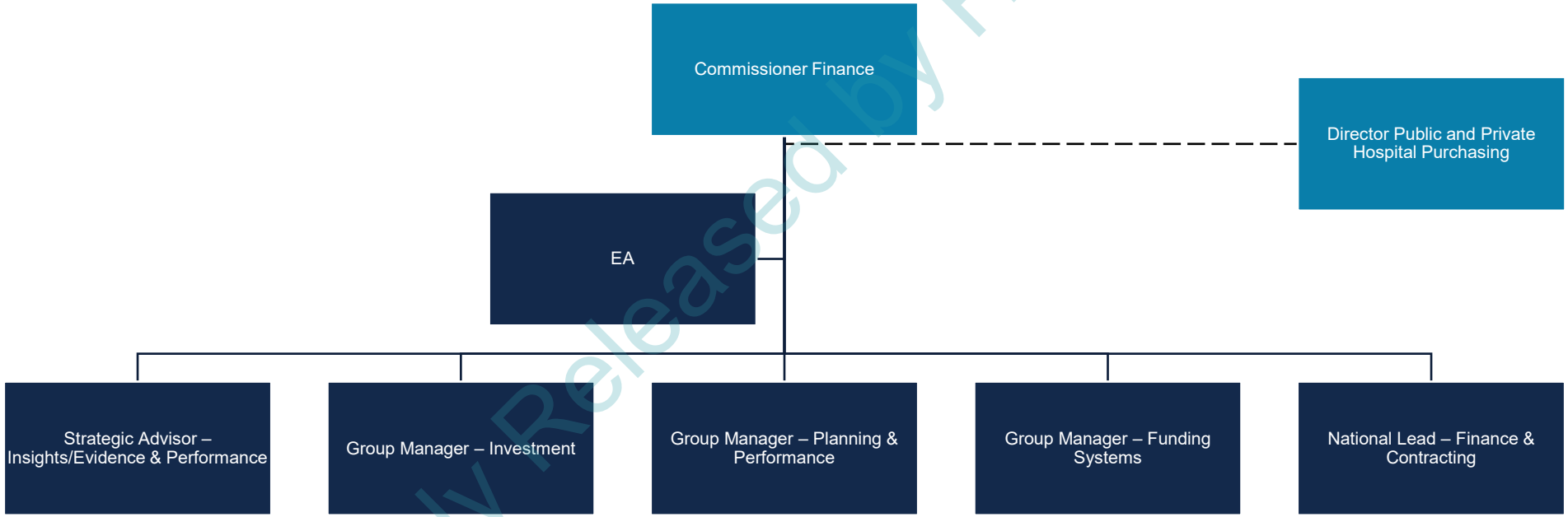
SECTION 3: Proposal – Commissioner for Community & Mental Health Structure



Current direct reports continue to report to Directors – no change

- Current role
- Interim Role
- New Position
- Change of reporting line
- Additional functions added and change in title

SECTION 3: Proposal – Commissioner Finance Structure



Current role

Interim Role

New Position

Change of reporting line

Additional functions added and change in title

Current direct reports continue to report to GMs and National Lead – no change

SECTION 3: Proposal – Shift HSS National Hospital Purchasing, Systems Delivery and Performance Functions

We are proposing to bring together the functions from HSS of public and private hospital purchasing, systems delivery and performance measures into a Commissioner for Hospitals team.

Commissioner for Hospitals

The core functions of this group will be to:

- Establish accountability, price volume and funding flow arrangements for hospital purchasing
- Flow of funding from funding provided to hospitals
- Health purchasing for private and public services
- Develop SLAs between hospital services and commissioning services
- Develop health purchasing arrangements – public and private
- Plan national services and delivery
- Monitor hospitals performance and assist hospitals in difficulty
- Monitoring National Health Targets performance and priority areas for performance.

We are proposing the following positions from HS&S have a change in reporting line to the Commissioner for Hospitals:

- Director Strategy Planning & Purchasing with a change in title Director HSS Service Design, Delivery & Purchasing
- Director Delivery Unit with a change in title to Director Improvement
- The Director of Programmes, Delivery Unit with a proposed title change to Director Targets and Performance.
- Group Manager HSS Business System Intelligence

HSS Service Design, Delivery & Purchasing

The proposed Director HSS Service Design, Delivery & Purchasing is proposed to have a dotted line to the Commissioner Finance. These two roles will have a strong working relationship due to the connection of commissioning and purchasing decisions, and delegated authorities that are currently with the Commissioner Finance.

With the consolidation of functions and with the change in focus we are proposing to disestablish the following role:

- Manager – Disabled Peoples Health

SECTION 3: Proposal – Shift HS&S National Hospital Purchasing, Systems Delivery and Performance Functions

Improvement

We are proposing the current Director Delivery Unit will have a change in title to Director Improvement.

The following positions would report to Director Improvement:

- Programme Director Acute Care
- Programme Director Planned Care & Cancer
- PMO Team Programme Manager

- Clinical Reference groups - will be convened as required by ongoing HSS programmes

Targets and Performance Team

We are proposing a team to focus on our key priority of National Health Targets and our performance against these, led by a Director Targets and Performance.

Over the past 6 months a significant amount of work has been done on performance reporting on health targets in HSS. We are proposing the Director of Programmes, Delivery Unit role has a change in reporting line to the Commissioner for Hospitals and change in title to Director Targets and Performance.

We are proposing to change the reporting lines of the current Manager HSS Performance Measures and Lead Operational Performance and Surveillance position to report to the Director Targets and Performance.

This team will focus on:

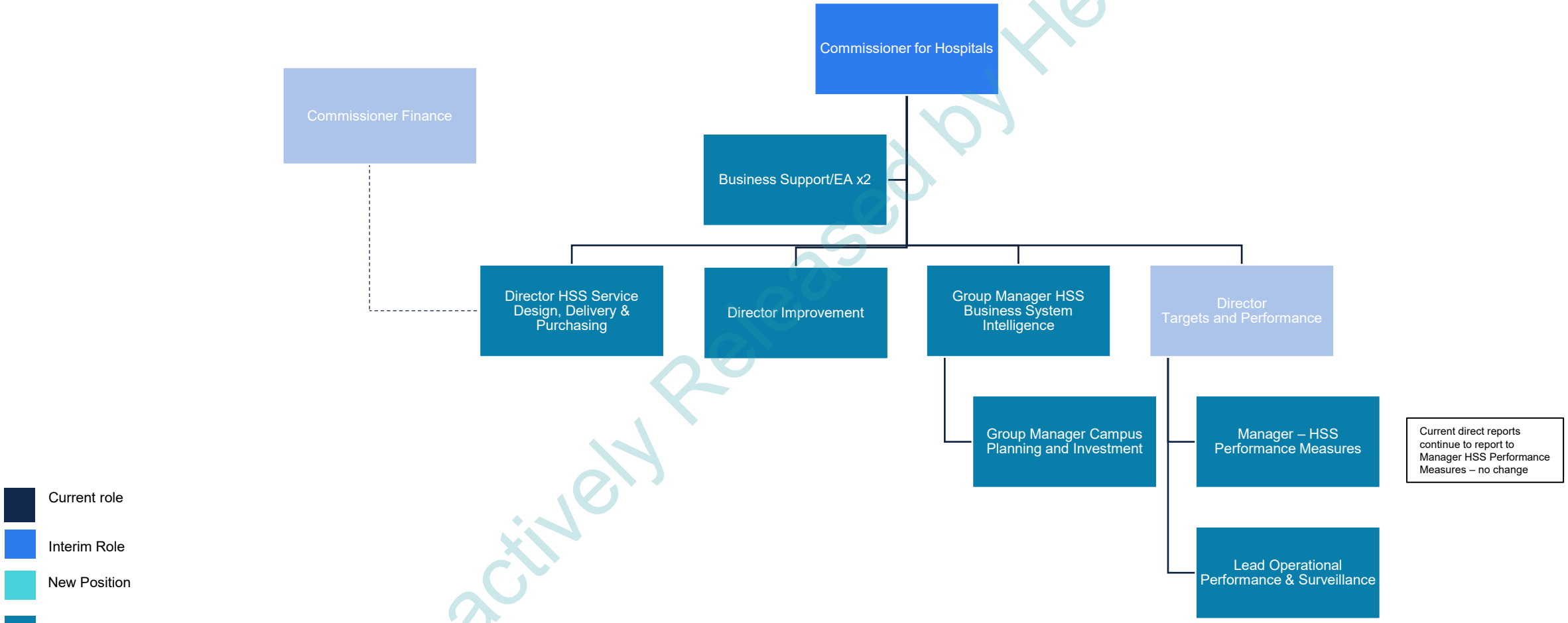
- Providing national monitoring and reporting on health targets
- Overseeing the development and implementation plans that focus on lifting health target performance

The Director would oversee and chair the national sub-committee for health targets

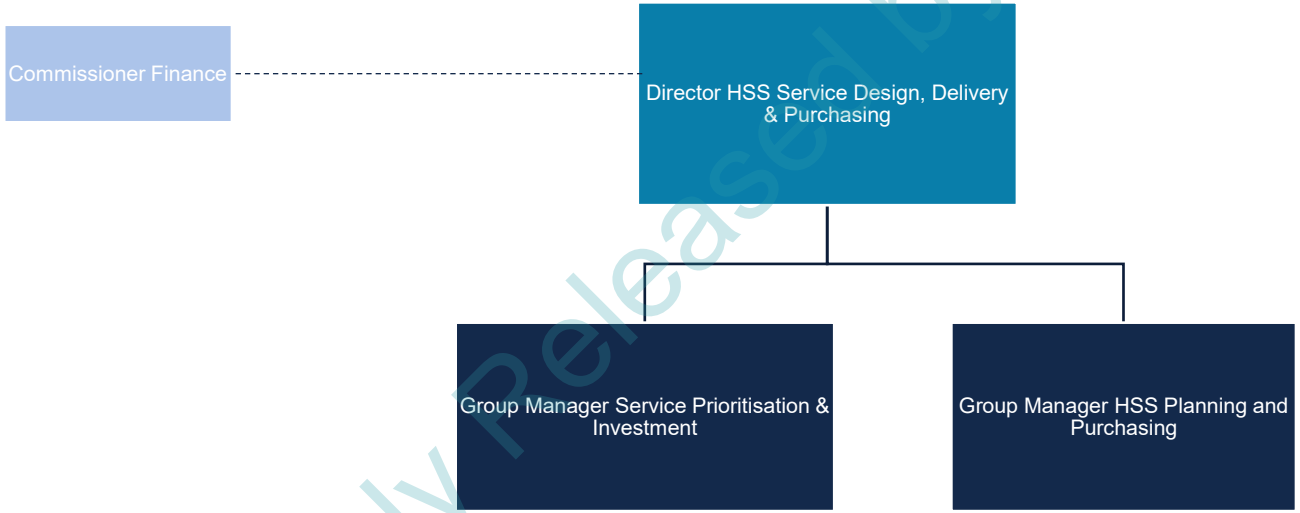
Business Support/EAs

We are proposing the existing Executive Assistants for the Director Strategy Planning & Purchasing and Director Delivery Unit have a change in reporting line to the Commissioner for Hospitals and would provide services across the group for the Commissioner and the Group Managers.

SECTION 3: Proposal – Commissioner for Hospitals Structure

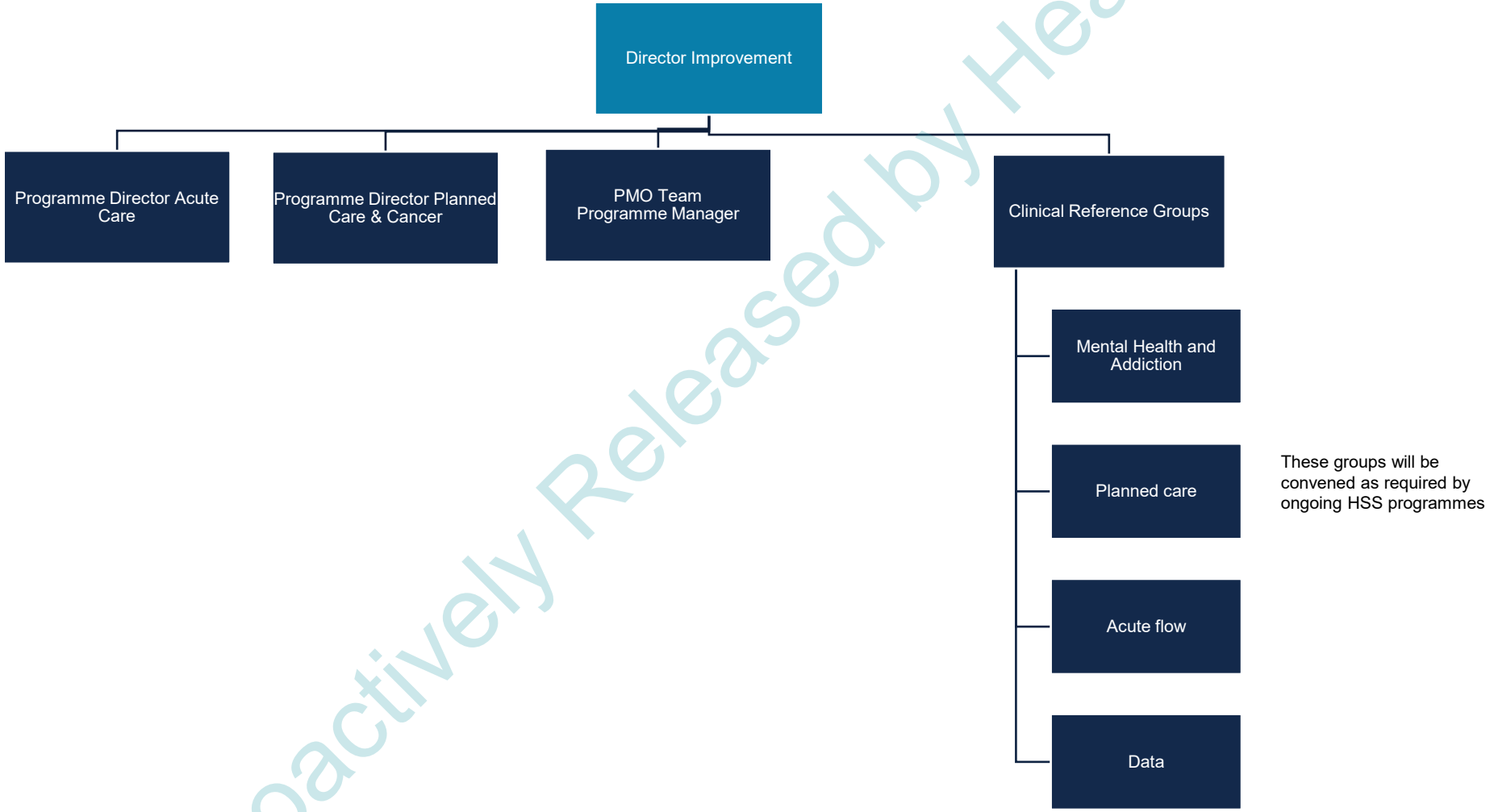


SECTION 3: Proposal – Director HSS Service Design, Delivery & Purchasing Structure



- Current role
- Interim Role
- New Position
- Change of reporting line
- Additional functions added and change in title

SECTION 3: Proposal – Director Improvement Structure

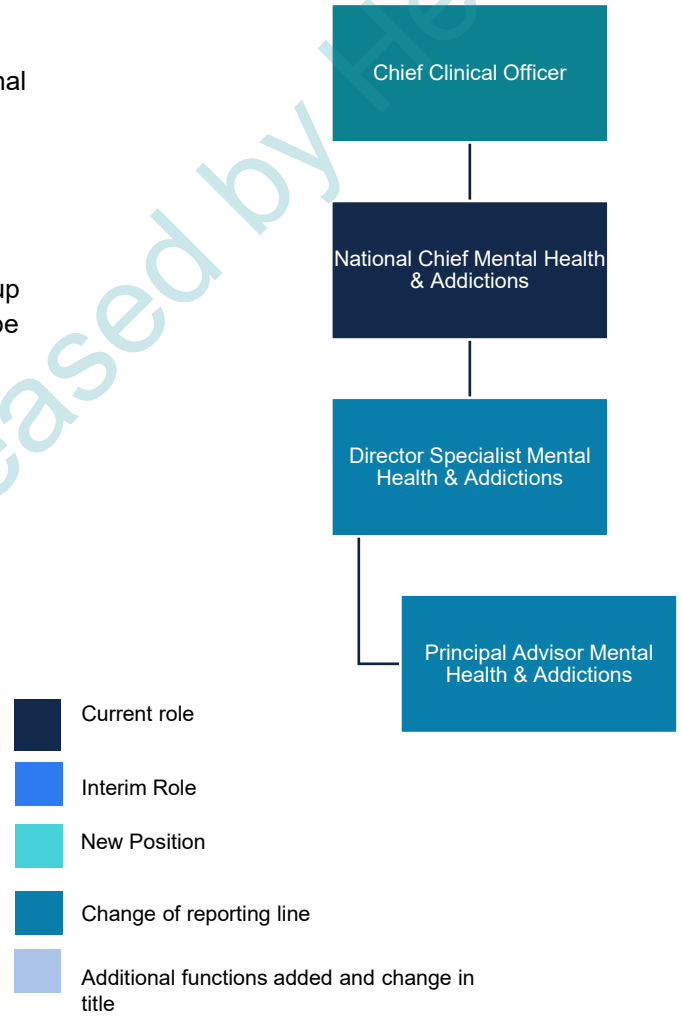


SECTION 3: Proposal – Shift Specialist Mental Health and Addictions (HSS)

Additional reports to the National Chief Mental Health & Addictions

We are proposing to move Director Specialist Mental Health & Addictions to report to the National Chief Mental Health & Addictions as the role and functions align with the clinical leadership national function. The Principal Advisor Mental Health & Addictions from the Office of National Director HSS is proposed to change reporting to Director Specialist Mental Health & Addictions.

To further strengthen cross organisation delivery in mental health and addictions services a group will be formed from across the organisation and chaired by the CEO. It is envisaged this would be like the group currently in place for midwifery.



SECTION 3: Proposal – Shift Data Collection, Aggregation and Reporting Functions

Data and Information functions

To ensure end to end accountability for data collection, aggregation and reporting, We are proposing to bring together functions from HSS, Data & Digital and SI&I. This function will be led by an interim Director Data and Information.

Bringing these functions together will ensure we will support important initiatives such as National Health Target reporting sufficiently. The pathway to reporting connects across multiple functions from HSS, NPHS, D&D, SI&I, Māori Health. The current spread of accountability for timeliness and quality of data across multiple leadership roles risks ongoing working in silos.

We propose to consolidate the span of control for this end-to-end pathway into System Planning, Performance and Improvement by shifting reporting lines for the following roles to the interim Director Data and Information and the teams reporting to them, would move with them:

From Data and Digital:

- Group Manager – National Collections
- Group Manager Data Platforms
- Group Manager Data and Digital Standards
- Group Manager Data Transformation, Strategy & Value Delivery
- Product Owner Centric

From SI&I

- Director Health Analytics

We are proposing that the Chief Data Officer (Data and Digital) position has an interim change of reporting line to the Director Data and Information and propose this position is disestablished in December 2024. This proposal is to allow for completion of key programmes of work that are already underway and for transition for longer running programmes of work.

Coding

We are proposing a new position of Group Manager Coding to lead the coding functions that currently sit within HSS.

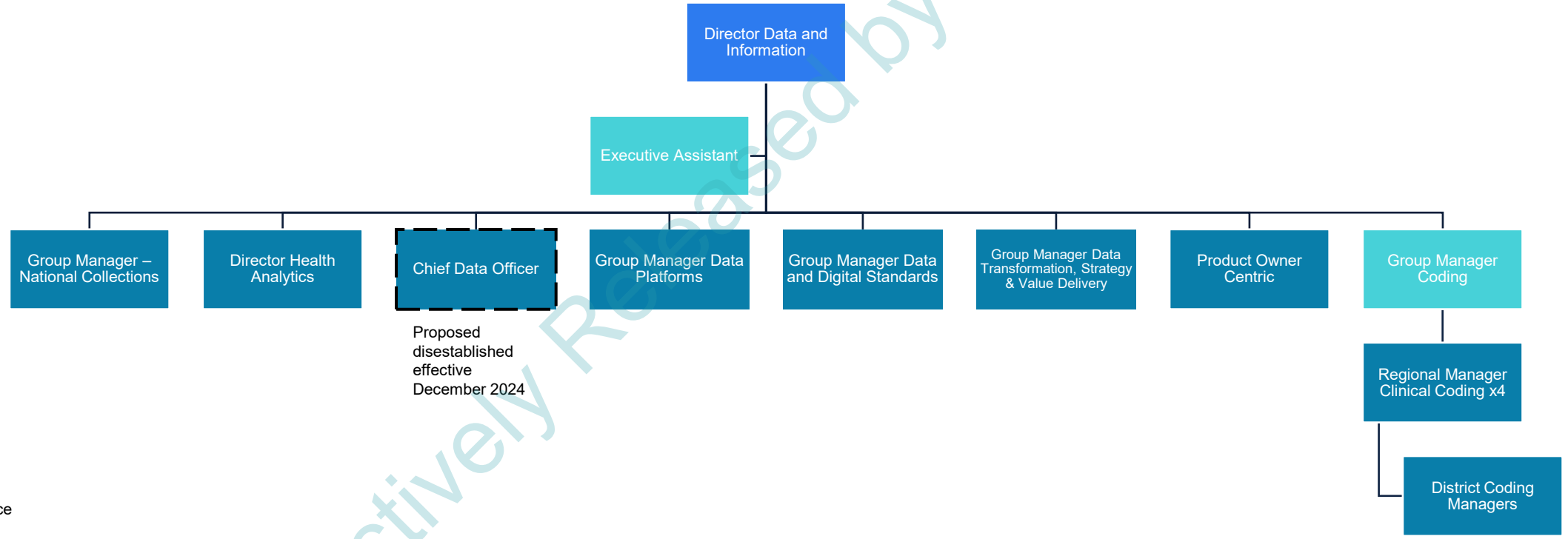
We have approximately 200 FTE working in hospitals responsible for the clinical and health information coding.

We are proposing that current district clinical coding managers and their teams in HS&S will shift into the Data and Information team to ensure the function for data collection sits alongside the functions for aggregation and reporting.

The clinical coding managers would change reporting lines from their existing district to report to Regional Manager, Clinical Coding. The coding teams will continue to report to their current manager.

We are proposing to identify from within the existing clinical coding managers, through an EOI process, individuals who would want to have a dual role of regional manager and a continue with their team manager position.

SECTION 3: Proposal – Director of Data and Information Structure



SECTION 3: Proposal – Change of Reporting Lines for Population Health Gains

Planning and Population Health Gain

Before this proposal we had completed consultation to shift Strategy, Performance and Planning from Office of Chief Executive to SI&I.

We are proposing to change the title of the Head of Strategy Planning & Performance to Director Planning and Outcomes. There is no change proposed for the positions currently reporting to the Head of Strategy Planning & Performance.

We are proposing to change the reporting lines for the following positions to report to Director Planning and Outcomes:

- Group Manager – Population Health Gain
- Director South Auckland Social Wellbeing

The current Director Population Health Gain is proposed to have a change in title to Clinical Director Planning and Population Health Gain. The current Clinical Lead Population Health Gain and Technical Lead Population Health Gain will continue to report to this position.

The proposed Director Planning and Outcomes and the Clinical Director Planning & Population Health Gain would operate with a joint leadership model between the roles. This would provide a clinical leader and a management leadership role.

Both Director positions would report to the National Director System Planning, Performance and Improvement. Although the Clinical Director Planning & Population Health Gairn reports for operational purposed to the National Director System Planning, Performance and Improvement, for people management purposes the role will report to the Director Planning and Outcomes.

SECTION 3: Proposal –Planning and Outcomes and Planning and Population Health Gain Structure

Current direct reports continue to report to GMs, Directors, Leads– no change

- Current role
- Interim Role
- New Position
- Change of reporting line
- Additional functions added and change in title

SECTION 4: Indicative Timeline

Mon 22 July

- Tier 2 to hold meetings with kaimahi with roles proposed to be disestablished.

Tues 23 July

- Tier 2 & 3 to meet with impacted kaimahi. i.e those with proposed change of reporting lines.

Wed 24 July

- Wider team briefings
- What Say You is activated for significantly affected and impacted kaimahi at 5pm.
- Consultation period formally commences.

Wed 7 August

- Consultation period ends.

Tues 13 and Wed 14 August

- Final decision communicated.

SECTION 5: Support and Well-being

Support

It is important to seek support and reach out if/when you need to. Make time to read the proposal and the supporting information.

Please ask for support anytime you need it and encourage your colleagues to do the same. Talk about how you are feeling. Talk to your manager, colleagues, your union representative or friends and family.

Sometimes a colleague may be more vulnerable to the impacts of change because of other things happening in their lives. If you have concerns about anyone's well-being, contact P&C for advice.

If you are a manager or team leader and are concerned about one of your team members, please talk to them or seek advice from your People Partnering team.

EAP service which is independent of Health New Zealand. It offers offer counselling, three free sessions initially. Please refer to Te Haerenga intranet, ask your manager for details, or askHR how to access your local EAP provider.

Career Coaching and Transition Support

If your role is proposed to be or is confirmed as disestablished, we provide a Career Support Service through our Career Coaches. Each Coach can provide confidential, individual Career Coaching.

Coaching should be a psychologically safe thinking space to explore your options and plan your next steps. It can empower you to face challenges and navigate transitions.

Coaches can also provide Career Education, Information and Guidance (CEIG) e.g. job searching, CVs, cover letters, statements, application forms and interview skills. Support can be tailored to the needs of an individual, team, business unit or region.

Please email careertransition@tewhatuora.govt.nz to discuss how we can support you.

Appendix 1: Proposed Draft Position Profile – new position

Health New Zealand
Te Whatu Ora

Position title	FTE	Core Purpose
Group Manager Coding	1	• Lead the professional clinical coding service across health NZ to provide accurate and timely coding of diseases and procedures for all patients discharged in Health NZ healthcare services. • Ensure the clinical coding service works alongside the other data and information teams to improve information for reporting of health targets and to lift our performance • Working with our internal teams, external educators and stakeholders, you will support ongoing sustainable training and development for clinical coding staff including viable attraction and recruitment pipelines and pathways to advanced expertise.

Te Kāwanatanga o Aotearoa
New Zealand Government

Health New Zealand
Te Whatu Ora