

**OFFICE OF THE  
MINISTER OF HEALTH**

**MEMORANDUM TO CABINET SOCIAL POLICY AND HEALTH COMMITTEE**

**DISTRICT HEALTH BOARD ACCOUNTABILITY ARRANGEMENTS**

**PROPOSAL**

1. The primary purpose of this paper is to inform Ministers' decisions on the matters to be covered in the New Zealand Public Health Services Bill with respect to the accountability arrangements for District Health Boards (DHBs).
2. Cabinet has specifically sought advice on the accountability and reporting requirements for DHBs, including performance expectations, incentives and sanctions relating to: service provision, financial accountability, benchmarking and hospital performance [CAB (00) M2/4 refers]. The proposed DHB accountability framework addresses each of these key elements of DHB performance.
3. This paper also responds to report backs sought by Ministers in the Roles [CAB (00) M 11/1A refers] Governance [CAB (00) M 11/1A(3) refers] and Maori Partnership [CAB (00) M 11/1A(4) refers] papers.
4. Ministers' approval is attached.

**EXECUTIVE SUMMARY**

**Overview**

5. Cabinet has agreed that DHBs "will be accountable to the Minister of Health" and that they will "consult and exhibit a sense of social responsibility by having regard to the interest of the community they serve". Furthermore, "current Health and Hospital Services, their assets, liabilities and services will be part of District Health Boards" [CAB (00) M2/4 refers].
6. The overall design of DHB organisational and governance arrangements is a complex task given DHBs' multiple roles (as funder, provider and owner) and the relationships that DHBs must maintain. These multiple roles offer the advantage of alignment and collaboration in the interests of local health gain, but will produce tensions that must be managed. There is particular concern that these arrangements may pose risks to ongoing Maori provider development, with DHBs having dual roles as funder and provider of services. This could potentially limit progress in reducing health disparities.
7. Whilst effective accountability mechanisms may reduce the tensions that arise, they will not in themselves fully resolve these inherent tensions. It will be up to all involved in the sector to foster an environment of

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honesty, trust and goodwill, and to work collectively to resolve the complex and difficult issues that will inevitably arise. The new environment will provide the Minister of Health with a challenging role given the multiple relationships, complex roles, and tensions related to these.

8. The role assigned to DHBs confers three key functions:
  - i. funding health and disability services through appropriate contractual mechanisms
  - ii. governance and management of the DHB, including management of the core budget and the delivery of outputs (including needs analysis, consultation, contracting and monitoring the delivery of contracts)
  - iii. governance and management of the DHB's hospital and associated health services with a focus on organisational health and sustainability.
  
9. It is fundamentally important that the accountability arrangements reflect these different dimensions of performance through funding and reporting streams. In addition DHBs will be required to clearly and separately account for Crown revenue and Crown capital made available to them with respect to these different dimensions of performance.

**Rationale for framework**

10. The aim of the accountability arrangements will be to obtain the best DHB performance by creating an effective incentive structure, aligning the goals of the Board with those of the Government, and where appropriate controlling DHB activities.
  
11. The accountability arrangements for DHBs build on the most effective elements of the existing sector accountability arrangements. An evaluation of past experience shows that arrangements must avoid:
  - i. too much specification of what the DHBs must do and how to do it
  - ii. multiple, potentially conflicting, sets of instructions released in an *ad hoc* manner
  - iii. any multiplicity of planning documents, agreements and performance reports.
  
12. The accountability arrangements need to be built around the DHB roles as funder, provider and owner. The critical accountability issues to manage are:
  - i. DHBs achieving improvements in health and disability outcomes for their communities.
  - ii. potential tension between the community's preferences and

Ministerial requirements

- iii. the conflicting roles as funder of health services and direct provider of some health services
- iv. balancing resources to ensure that the organisation is meeting its output requirements and is well managed, across all performance dimensions.

### **Framework**

13. The proposed accountability framework is based on ensuring mechanisms are developed to provide:
  - i. clarity of roles of the Board and the Minister (and the Ministry of Health as the Minister's agent)
  - ii. clear expectations and consequences
  - iii. transparency of processes, including consultation and planning
  - iv. performance expectations and specifications that match the level of decision-making authority and span of control
  - v. optimal transaction costs
  - vi. incentives and sanctions
  - vii. timely flow of information regarding performance to the Minister and to citizens.
14. The accountability arrangements will be built on enabling and empowering legislation, supplemented by subordinate legislation which will primarily take the form of regulation. There will also be important overarching policy and operating requirements, for example the Government's New Zealand Health Strategy and New Zealand Disability Strategy. On the DHB side there will be periodic and ongoing planning and reporting documentation.
15. The accountability arrangements proposed in this paper will provide the basis for giving effect to the principles of the Treaty of Waitangi in respect of DHB performance. Officials will also be providing advice related to incorporating the Treaty of Waitangi into the New Zealand Public Health Services Bill.

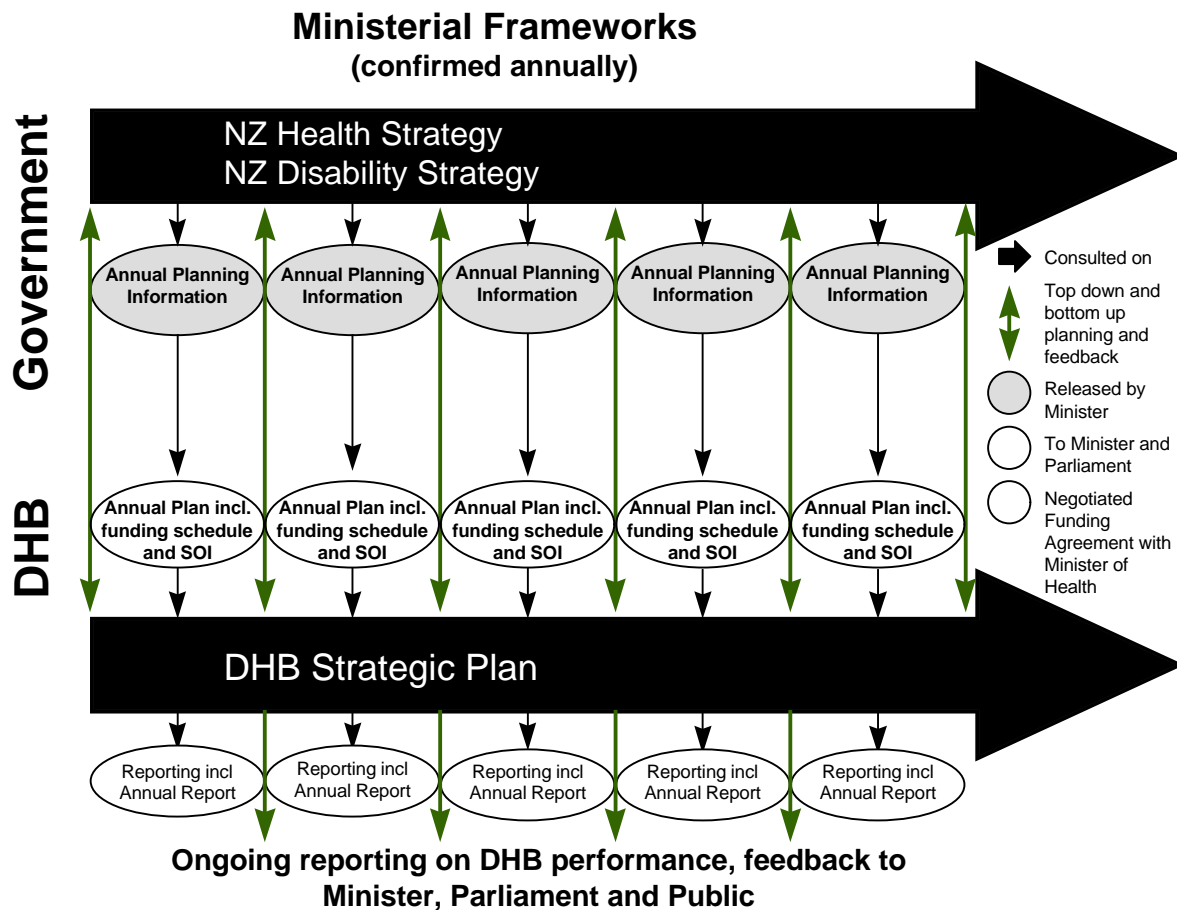
### **Components**

16. The two main planning documents for each DHB will be:
  - i. a high level Strategic Plan, to be developed in consultation with the local community, and which sets out local goals, objectives, targets and strategies that are consistent with the New Zealand Health Strategy and New Zealand Disability Strategy. The Strategic Plan will take a five to ten year perspective and concentrate on the longer-term health outcomes and ownership aspects. Community consultation and an environmental analysis of health needs in the

community will provide the basis for development of the Plan

- ii. an Annual Plan, which incorporates an annual funding schedule, and a Statement of Intent (SOI) to be tabled in Parliament. The Annual Plan will be the formal negotiated accountability document between the Board of the DHB and the Minister of Health. The Annual Plan will clearly and separately set out the outputs and associated performance expectations to be achieved across the performance dimensions outlined in this paper.
17. DHBs will be required to produce reports on their performance, primarily:
    - i. regular performance information to the Minister of Health
    - ii. an audited published annual report, against their SOI.
  18. Information on comparative DHB performance will be published by the Ministry, allowing the Minister, DHBs, and the public to benchmark performance. High performing DHBs will be rewarded by being given greater autonomy and less intrusive monitoring. Poor performing DHBs will have less autonomy, greater intervention by the Crown (including the possibility of replacement of some or all members) and more intrusive monitoring.
  19. Figure One below provides an overview of the accountability arrangements for DHBs proposed in this paper.

**Figure 1: Overview of Accountability Framework for DHBs**



### Legislative implications

20. Legislation is required to specify the components of the framework detailed above and to endorse the use of subordinate regulations and operational policy requirements. The powers of the Minister to monitor, sanction and reward DHBs need to be included in the legislation, including the Ministerial power of direction, appointment and dismissal of Board Members, appointment of new members, or a Commissioner. Subordinate legislation or operational policy requirements would include details of the documentation.

### Future work programme

21. Further work is required on a number of matters raised in this paper, including on the DHB regulatory framework and mechanisms for establishing operational policy requirements for DHBs. These report backs are covered in the appropriate sections of the paper and set out in the recommendations of this paper.

### PROPOSED ACCOUNTABILITY ARRANGEMENTS

22. Cabinet has decided that DHBs will be accountable to the Minister of Health [CAB (00) M 2/4 recommendation j]. The Minister of Health will be the Vote and Responsible Minister for DHBs. The Minister will have

responsibility for managing the interface with other Ministers whose portfolios contribute to health and disability outcomes [CAB (00) M 11/1A(3) nnn v refers].

23. The health and disability support sector, and in particular the publicly owned hospitals, present an area of potential significant fiscal risk to the Crown. It would be expected that the Minister of Finance would continue to have a key role in the sector [CAB (00) M 11/1A(3) nnn v refers]. This may include having joint decision-making rights with the Minister of Health over some aspects of the DHBs' operations (for example hospital investment decisions) and/or the right to be consulted over certain aspects of the DHB's operations. Officials recommend that further work is done to determine the role of the Minister of Finance in respect of DHBs. Officials will report to Ministers on this by 30 April 2000, including on any provisions to be set out in the enabling legislation.

### **Strategic Settings**

24. In addition to the Government's overarching Goals to Guide the Public Sector, the Government will communicate its desired outcomes for health and disability through the New Zealand Health Strategy and the New Zealand Disability Strategy. These strategies will provide the overarching policy framework within which the health and disability sector will be expected to operate. These strategies will establish specific nationwide health and disability outcome goals, objectives and targets, and sector performance standards.
25. The Minister of Health will be responsible for determining and communicating the Government's desired outcomes for the health and disability sector, to DHBs, through these strategies. DHBs will be responsible for developing accountability documentation that details how will they give effect to these strategies at a local level. DHBs will be also be accountable, through appropriate contractual arrangements, for selecting, funding and providing the most appropriate mix and level of services to achieve these specific outcomes and performance standards.

### **Annual Planning Information**

26. In addition to the overarching strategies, Officials recommend that prior to the commencement of the DHB accountability cycle the Minister of Health provides each DHB with specific planning information including:
  - i. any changes to the Government's policy settings
  - ii. funding (budget) information
  - iii. any specific purchase or ownership expectations for the DHB in relation to past and future performance expectations
  - iv. the degree of autonomy afforded to it.

27. The process being recommended by Officials is flexible enough to allow for variations in timing of Government's Budget process. Indicative funding information will be made available to inform DHB planning. Each year DHBs will be advised of Government's specific timeframes for confirming DHB funding levels.

### **Performance Specification/Delineation**

28. DHBs will be accountable for funding health and disability services on behalf of their defined community, and for the governance and management of their provider arm (formerly HHSs). Each DHB will be required to ensure that all accountability documentation clearly and separately defines the performance to be delivered as a funder of health and disability support services and as hospital owner and service provider. The key dimensions of performance to be accounted for, including in the DHB's financial statements, are:
- i. funding health and disability services through appropriate contractual mechanisms
  - ii. governance and management of the DHB, including management of the core budget and the delivery of outputs (needs analysis, consultation, contracting and monitoring the delivery of contracts)
  - iii. governance and management of hospital and health services owned by the DHB with a focus on organisational health and sustainability.
29. From a financial perspective DHBs will receive both revenue and capital from the Crown and will be required to account separately for these funding streams. The DHB will be allocated revenue via a population-based funding formula. Within this the DHB will be required to account for both the use of funds to enter into service agreements with providers (for example with primary care providers, disability support services providers and with the DHB's provider arm), DHB operating funds, governance and operational management of the DHB's hospital and associated services.

### **DHB Planning and Accountability Documents**

30. It is proposed that each DHB produce two planning documents:
- i. a Strategic Plan, to be developed in consultation with the DHB's community
  - ii. an Annual Plan which incorporates:
    - (a) an annual funding schedule
    - (b) a schedule that provides a Statement of Intent (SOI)
31. The Annual Plan will provide the basis of a negotiated funding agreement between the Board of the DHB and the Minister of Health, on

behalf of the Crown, and will be the DHB's key accountability document.

32. It is recommended that each of the documents is provided in a form, and within timeframes set out by the Minister of Health, to promote transparency and consistency, and facilitate comparison and review across DHBs. It is also recommended that these documents be widely and freely available to the public.
33. Further work will be undertaken by Officials to determine the exact scope, coverage and structure of these documents. Officials will report back to Ministers on this by 30 November 2000.

#### *DHB Strategic Plan*

34. The DHB Strategic Plan would provide the high level strategic context against which the DHB operates and will explicitly set out local goals, objectives, targets and strategies for achieving the New Zealand Health Strategy and the New Zealand Disability Strategy. It is proposed that these Plans have a five-year focus, extending out to a ten-year horizon where relevant. The Strategic Plan would derive from an assessment of the health status and needs of the DHB's population, and should be developed in consultation with the DHB's community including with Maori.
35. The Strategic Plan should be a living document and, as such, should be reviewed at least annually and updated as required to reflect changes in the Government's policy settings or other changes of direction. Its development and subsequent amendment should incorporate the results of strategic dialogue with key stakeholders including the Minister of Health, Ministry of Health, service providers and other DHBs where a close working relationship is required.
36. The DHB will be required to seek the Minister of Health's endorsement of the Strategic Plan prior to its implementation and prior to any amendments. This will provide a means to ensure that all DHB Strategic Plans are aligned with Government's overall policies, which would not be the case if plans were developed outside of the formal accountability framework. In addition, each DHB will be required to amend its Strategic Plan, if following the Minister's agreement of the DHB's Annual Plan, there are inconsistencies between those documents.

#### *DHB Annual Plan*

37. It is proposed that each DHB prepare an Annual Plan. The Annual Plan will be consistent with the direction set out in the DHB's Strategic Plan. The Annual Plan will form the basis of a negotiated funding agreement with the Minister of Health, and as such will be the key accountability document between the Board of the DHB and the Minister of Health.

38. Each Annual Plan will incorporate a funding agreement schedule setting out:
  - i. funding commitments related to the Annual Plan outputs
  - ii. specific reporting requirements
  - iii. rewards and sanctions
  - iv. signatories.
39. The Annual Plan (including schedules) will meet a Cabinet requirement, and statutory obligation under the Public Finance Act (PF Act), that purchase agreements are established between Ministers and Crown entities.
40. As the Annual Plan will form the basis of a negotiated agreement with the Minister of Health, it is recommended that consultation is limited to the development and implementation of specific strategies and activities to be outlined in the Strategic Plan and to the Strategic Plan itself.
41. Each DHB will be required to produce an SOI that the Minister of Health will table in Parliament. We propose that the SOI be developed as a schedule to the Annual Plan. This schedule will reflect a strategic and annual focus and will provide a high level summary of the performance information and associated performance measures, and will include detailed annual financial information with financial forecasts for a further two years. The requirement to produce an SOI should be included in the New Zealand Public Health Services Bill, to provide consistency between the Bill and the Public Finance Act.

## **Performance Reporting and Assessment**

42. Regularly assessing the performance of DHBs in delivering the performance set out in their Annual Plan will form an important component of the accountability framework. The regular assessment and monitoring of DHB performance will take place within a wider performance management framework which seeks to improve DHB performance. In particular, the performance management framework will focus on the early identification and proactive management of potential and emerging risks, and on providing Boards with active support and assistance where specific performance concerns are identified.
43. To enable DHB performance to be monitored, each DHB will be required to provide:
  - i. regular performance reports, including monthly and quarterly, to the Minister of Health against its Annual Plan

- ii. an Annual Report against the DHB's Statement of Intent, to be tabled in Parliament by the Minister of Health.
44. DHB reporting will reflect expectations and associated performance delivery against the financial and non-financial aspects of performance. DHBs will be required to report separately against each of the key dimensions of performance outlined earlier in this paper.
45. From a financial perspective this includes accounting separately for the use of services funding and operating funds and for the use of Crown-provided capital. It would be expected that at a minimum each DHB is required to report on its financial performance through the provision of financial statements on a monthly basis.
46. From a non-financial perspective each DHB will be required to report on the achievement of specific purchase, ownership and regulatory performance expectations, including from a balanced scorecard perspective building on the work of the Crown Company Monitoring Advisory Unit. This will be through the establishment of specific goals, objectives and performance targets, and through statements of compliance against legislative and statutory requirements.
47. The frequency of in-year monitoring reporting may be graduated over time but initially, monthly reporting is recommended. It is not expected, however, that this should impose an unduly high compliance cost. The general principle proposed is that the performance information required by the Minister of Health should, in practice, be an aggregation of that required by a well-performing DHB for prudent governance of their funding, service provision and ownership dimensions. Further work will be undertaken prior to the establishment of DHBs to develop the appropriate monitoring regime and associated performance management framework. Officials will report back to Ministers by 30 November 2000.

#### *Benchmarking as a Performance Improvement Tool*

48. It is recommended that benchmarking of key performance indicators, including indicators of service, financial, cost and quality, is undertaken as part of the wider performance management environment. It is recommended that benchmarking information is collated and published to inform the Minister and the public of the relative performance of each DHB. This information may assist the Minister in forming assessments of the appropriate level of autonomy for each DHB. To facilitate benchmarking, it is envisaged that DHBs will be required to use standard methods for recording, collating and reporting information related to service payments, service delivery and other ownership matters. Officials will report to Ministers on a proposed framework for benchmarking DHB performance by 30 November 2000.

## **ESTABLISHING THE REGULATORY AND OPERATIONAL POLICY FRAMEWORKS**

49. A regulatory framework will establish specific obligations on DHBs in respect of their performance and will supplement the principles enshrined in the legislation. This framework will include, for example, the financial operating requirements for DHBs and the nationwide service coverage (the range of services, the terms of access to those services including user part charges and specific quality and safety requirements) to be funded, and requirements related to nationwide data collections.
50. The development of this framework will need to consider the specific issues and risks related to Maori provider development that may arise in the sector arrangements.
51. Further work is required to identify the most appropriate mechanisms for giving effect to nationwide requirements. However, the legislation should provide a regulation making power in respect of establishing minimum operating environment requirements in respect of Government's purchase and ownership requirements. Further work will be done to establish the most appropriate mechanisms for giving effect to these requirements. Officials will report back to the Ministers on the scope and content of a proposed regulatory framework for DHBs by 31 August 2000.

### **Operational Policy Framework**

52. DHB accountability arrangements will also need to establish various standard decision frameworks and performance tools described at the national level. This could include prioritisation processes, service descriptions including quality requirements, audit tools and standards for service agreements with providers. Further work will be undertaken to identify the appropriate mechanism for giving effect to operational policy requirements.

### **DHB DEVELOPMENTAL FRAMEWORK**

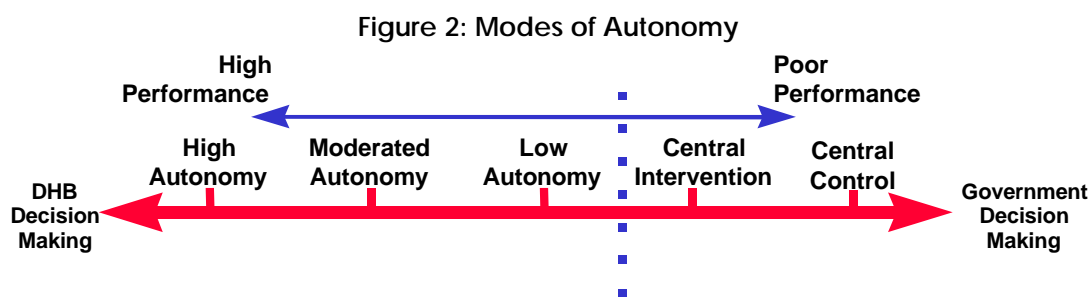
53. The key principle in determining levels of decision-making authority is to ensure that DHBs have sufficient authority to achieve the Government's performance expectations of them, and the Government has sufficient control over DHB activities to mitigate the risks that may arise related to the performance of the DHB(s).

### **DHB Autonomy**

54. The Government has agreed to a model that envisages DHBs initially being required to operate within a centrally constrained policy and

regulatory framework but, over time, being given greater autonomy over decision-making by the Minister if she is satisfied with their capability and performance track record. This scope for increased autonomy provides a strong incentive for DHBs to perform well and to develop the necessary infrastructure of management systems and controls.

55. A detailed developmental framework for DHBs setting out the criteria and process by which DHBs will move along a continuum of autonomy [CAB (00) M 11/1A] will be developed and published. At this stage, Officials envisage five modes of DHB autonomy, as illustrated in Figure 2:
- i. Mode A - High Autonomy
  - ii. Mode B - Moderated Autonomy
  - iii. Mode C - Low Autonomy.
  - iv. Mode D - Central Intervention (replacing and/or appointing additional members)
  - v. Mode E - Central Control (Commissioner appointed).



56. Under this model, a well-performing DHB could, for example, have a greater say over the best mix of services to be delivered to contribute to desired outcomes, for example, and may be monitored less intrusively. A pattern of poor performance by a DHB could result in the removal or reduction of decision-making authority and the imposition of constraints. In the case of a DHB where there are significant performance concerns the Minister may provide specific ministerial direction, remove and/or appoint additional Board members, and/or appoint a Commissioner. Further work will be completed prior to the establishment of DHBs on establishing firmer criteria for determining the "hurdles" between each mode.

## **SPECIFIC REWARDS AND SANCTIONS**

57. In addition to the incentive of increased autonomy for well-performing DHBs, discussed above, sanctions and rewards provide a further means of incentivising performance. The use of sanctions and rewards provides the Minister of Health with additional levers to secure DHB performance improvements. Of particular relevance to this paper will be the ability of the Minister to apply sanctions to DHBs for poor performance in respect of the DHB's accountability documentation. This could include for example directing a DHB to include certain matters in its Annual Plan, or

to provide certain performance information. In addition, Ministers sought advice on the appointment of a Commissioner to a DHB, and merging DHBs, as potential sanctions [CAB (00) M 11/1A(3) nnn vii and x refers].

58. Figure 3, below, outlines some of the rewards and sanctions that may be applied to DHBs. Officials will report back to Ministers on the rewards and sanctions to be covered in the legislation by 30 April 2000. Officials will report back to the Ministers on a comprehensive framework of rewards and sanctions, and the criteria for their application by 31 August 2000.
59. There will also be a number of other checks and balances on Board performance. Communities will be able to participate in consultation activities and to exercise their right to vote for elected representatives on Boards. Cabinet has also decided [CAB (00) M 11/1A recommendation vv refers] that Board meetings will “be open to the public, subject to the normal restrictions applied to local authority meetings”. DHB performance will also be subject to scrutiny by Parliament through the tabling of an SOI and Annual Report. In addition, the Office of the Auditor-General will audit the financial and non-financial performance of DHBs from an effectiveness and efficiency perspective.

**Figure 3: Possible Rewards and Sanctions Available within the Incentives Structure**

<b>Dimension</b>	<b>Potential Rewards</b>	<b>Potential Sanctions</b>
Governance	<ul style="list-style-type: none"> <li>• Greater autonomy and decision-making authority</li> <li>• Reappointment of Board members</li> <li>• Public recognition of ‘success’ and good performance</li> </ul>	<ul style="list-style-type: none"> <li>• Ministerial power to direct</li> <li>• Removal of Directors and appointment of new Directors</li> <li>• Appointment of a Commissioner</li> <li>• Merge Boards</li> </ul>
Funding	<ul style="list-style-type: none"> <li>• Additional funding to pilot new services</li> <li>• Ability to retain and apply surpluses (expectations exceeded, efficiency, innovation)</li> </ul>	<ul style="list-style-type: none"> <li>• Removal of some of the DHB’s funding power to another entity (eg MoH, other DHBs)</li> <li>• Withdrawal of surpluses (underspends generated by non-performance) by the Crown</li> </ul>
Performance Specification	<ul style="list-style-type: none"> <li>• Broad performance specifications</li> <li>• Non-intrusive monitoring</li> <li>• Greater flexibility in choice of funding arrangements</li> <li>• Recognition of best practice performers and benchmark setters</li> </ul>	<ul style="list-style-type: none"> <li>• Detailed performance specification</li> <li>• Intrusive monitoring</li> <li>• Public awareness of below benchmark performance</li> </ul>

**FURTHER ISSUES TO BE CONSIDERED IN THE DEVELOPMENT OF DHB ACCOUNTABILITY ARRANGEMENTS**

### *Relationships with Maori*

60. The Maori Partnership paper recently considered by Ministers raised a number of concerns and identified potential risks to ongoing Maori provider development within the new sector arrangements. Officials were directed to report back with advice on minimising incentives on DHBs to favour DHB services over Maori providers and strengthening incentives on DHBs to encourage Maori service development [CAB (00) M 11/1A(4) refers]. Officials believe that the accountability arrangements proposed in this paper provide a range of mechanisms to mitigate the potential risks identified and encourage the most appropriate arrangement for improving Maori health and disability outcomes.
61. The accountability framework proposed in this paper provides mechanisms for giving effect to the principles of the Treaty of Waitangi at the DHB level, and for achieving effective working relationships between Maori and the Crown with an emphasis on closing the gaps between Maori and non- Maori health and disability outcomes. In particular the mechanisms proposed will provide the basis for:
- i. Government clearly articulating its goals, objectives, targets, and other expectations of DHBs in respect of Maori, through its New Zealand Health Strategy and New Zealand Disability Strategy
  - ii. DHBs demonstrating their responsiveness to Maori, through consultative and decision-making processes to be reflected in each DHB's Strategic and Annual Plan, including through partnership relationships
  - iii. DHB accountability for developing specific goals, objectives, targets and strategies improving Maori health and disability outcomes through the DHB's Strategic and Annual Plan
  - iv. DHB accountability, including for transparent processes, for funding the mix of services and the method of provision (Maori provider or DHB provider arm), in order to improve Maori health and disability outcomes, through the DHB's Strategic and Annual Plan
  - v. accountability for Maori capacity building, Maori provider development and enhancing the responsiveness of mainstream services to Maori, as defined in the Maori Partnership paper [CAB M 11/1A(4) refers]
  - vi. performance assessment and monitoring of financial and non-financial performance in respect of Maori service funding and provision, through regular and annual reporting.
62. In addition, DHBs will be expected to formalise operational partnership relationships through the use of mechanisms such as Memorandum of Understandings, Charters or Relationship Agreements. Each DHB will be required to set out the particular relationship arrangements in place, and

the impacts and specific benefits to flow from these in their Strategic and Annual Plan.

### *DHB Consultation with their Community*

63. The Government has made clear its expectation that there will be greater community involvement within the health and disability sector. Elected representation to the Boards of DHBs will contribute to this objective. In addition, it is recommended that the legislation place a requirement on DHBs to consult communities on a broad front and, in particular, in the development of DHB Strategic Plans.
64. The Local Government Act 1974 requires local authorities to use a special consultative procedure as part of their annual planning and reporting process. The development of a similar 'special procedure' for DHB consultation would appear to offer benefits in terms of providing a structured framework for community involvement in DHB decision-making. Officials will undertake further work on the design of a 'consultative procedure' to provide a framework within which DHB consultation would occur and will report back to the Ministers, as part of the advice on establishing a regulatory framework for DHBs, by 31 August 2000. This advice will cover matters such as the recording and documentation of DHB consultation.

### *Encouraging Inter-DHB Co-operation*

65. There is an inherent risk within the sector arrangements of DHBs not acting in accordance with the collective interests of the Government. DHBs will be expected, through their accountability arrangements, to form strategic alliances or performance partnerships with other DHBs. The centre, in particular the Minister of Health will have a key role in motivating and facilitating the establishment of these relationships. Each DHB will be required to set out the particular performance partnerships in place and the impacts and specific benefits to flow from these in their Strategic and Annual Plans. The purpose and benefits of co-operative relationships would include:
  - i. promoting collective responsibility for delivering the Government's health outcomes and priorities, for example, mental health, Maori health
  - ii. ensuring co-ordination between the DHBs in terms of service funding and delivery leading to consistent and equitable provision of services across DHBs
  - iii. co-ordinating funding and service delivery activities where there are issues of critical mass and where arrangements (for example joint ventures) will reduce transaction costs on providers, for example, Maori organisations spanning DHB boundaries
  - iv. promoting co-ordinated and seamless care to consumers of health and disability services across DHB 'boundaries'

- v. co-ordinating workforce development activities and capital investment projects.

## **TRANSITIONAL ACCOUNTABILITY ARRANGEMENTS**

- 66. Work is currently being undertaken to develop a plan for establishing DHBs and transitional arrangements related to this. Once Ministers have decided on the accountability arrangements for DHBs, Officials will report back on the accountability arrangements for DHBs in the transitional phase.

## **RELATED ISSUES**

### **Ministry as Funder**

- 67. Ministers will shortly be considering the relative roles and responsibilities and division of these between DHBs and the Ministry of Health [CAB (00) M/2/4 refers]. The Government has previously indicated that the Ministry of Health may fund some services such as those that are funded through a national organisation, or national services delivered through a single provider (e.g liver transplants).
- 68. It is recommended that when Ministers consider the options for allocating specific funding roles, Ministers also consider advice on accountability arrangements related to the Ministry's funding role.

## **CONSULTATION**

- 69. This paper has been prepared by an interagency working group led by the Ministry of Health, working with the Health Funding Authority, Te Puni Kōkiri, Treasury, State Services Commission, Crown Company Monitoring Advisory Unit and Office of the Auditor-General. In addition, the Department of Prime Minister and Cabinet has been consulted in the preparation of this advice.

## **FINANCIAL IMPLICATIONS**

- 70. Full identification of the one-off costs and ongoing fiscal impacts of the proposed structural changes, including those related to the establishment of DHB accountability arrangements, are included in the report back of the Fiscal Implications Working Group [CAB 00 M2/4 refers].

## **LEGISLATIVE IMPLICATIONS**

- 71. This paper makes specific recommendations on matters to be included in the drafting of the New Zealand Public Health Services and Health Reforms (transfer and transitions provisions) Bill.

72. It is recommended that DHBs are added to the Fourth, Fifth and Sixth and Seventh Schedules of the Public Finance Act. DHBs will therefore be subject to the requirements set out in this Act.

## **HUMAN RIGHTS ACT**

73. The advice provided in this paper does not have Human Rights Act 1993 implications.

## **REGULATORY IMPACT STATEMENT**

74. A Regulatory Impact Statement is attached for submission to Cabinet in accordance with the requirements set out in CO (98) 5.

## **PUBLICITY**

75. Any publicity related to the establishment of DHB accountability arrangements will be managed within the overall Communications Strategy developed by the Communications Workstream Group [SPH (00) M 6/6 refers].

## **CABINET**

### **ACCOUNTABILITY FRAMEWORK**

- a agreed that the Government's goals for the Public Sector and the Government's health and disability strategies will provide the strategic context for the development of each District Health Board's (DHB) accountability documents, and that the DHB accountability documents will give effect to these strategies;

agreed that the Minister of Health provide annual planning information, including funding levels and specific performance expectations, to guide the development of each DHB's accountability documentation;

agreed that the following DHB planning and reporting documents be provided for in the enabling legislation:

#### **Planning**

- a Strategic Plan, developed in consultation with the community to be endorsed by the Minister of Health;

- an Annual Plan to be agreed with the Minister of Health incorporating an annual funding schedule and their Statement of Intent as a schedule (in accordance with the requirements of the Public Finance Act);

#### **Reporting**

regular performance reports, including monthly financial and quarterly performance reports against their Annual Plan, to the Minister of Health;

an Annual Report including audited financial statements to be tabled in Parliament;

agreed that the Annual Plan (incorporating all schedules) will detail the Funding Agreement between the Board of the DHB and the Minister of Health, and will be the formal negotiated DHB/Crown accountability document;

noted that where there are inconsistencies between a DHB's Strategic Plan and Annual Plan, the Minister of Health will require the DHB to ensure that its Strategic Plan, and the Annual Plan formed in line with it, are consistent;

agreed that the enabling legislation will require each DHB to develop its accountability documents in the form, and within the timeframe, determined by the Minister of Health;

agreed that the Ministerial power of direction, to be set out in the enabling legislation [CAB (00) M 11/1A(3) refers], will allow for the Minister of Health to use the power to direct on matters related to the development and provision of DHB accountability documents, including to direct the Board to include certain matters in its Annual Plan;

agreed that all formal planning and reporting documents, including financial statements, will clearly and separately detail each of the dimensions of DHB performance: funding of health and disability services, governance and operational management of the DHB and the governance and management of Crown owned hospital and associated health services;

agreed in principle, subject to the report-back referred to in paragraph 1 (vii) below, that, supporting the Government's desire for greater transparency and availability of information, DHB planning and performance documents will be publicly available;

agreed that to facilitate benchmarking, all Boards will be required to use nationally consistent accounting standards for payments, data standards for recording service provision, and standards for ownership issues, all of which will be covered through legislative, regulatory or other accountability mechanisms;

noted that the accountability and performance management framework set out in the paper attached to CAB (00) 233 will address the risks to Maori on which Cabinet sought advice [CAB (00) M 11/1A(4) refers];

## **FURTHER WORK AND REPORT BACKS**

directed officials to report back to the Ad Hoc Ministerial Committee with advice on:

- i development of the regulatory framework and mechanisms for establishing operational policy requirements for DHBs, by 31 August 2000;

- ii development of a consultation framework for DHBs, by 31 August 2000;
- iii the role of the Minister of Finance in respect of DHBs, including provisions to be made in the enabling legislation, by 8 May 2000;
- iv the proposed content requirements of the DHB Strategic and Annual Plans, and the mechanisms by which these are communicated to DHBs, by 30 November 2000;
- v a detailed developmental framework for DHBs setting out the criteria for DHB progression between five different modes of autonomy, and associated rewards, by 30 November 2000;
- vi development of specific rewards and sanctions for application by the Ministers, and the criteria for their application - report back for those to be incorporated into legislation by 8 May 2000, and on the complete framework by 31 August 2000;
- vii development of a monitoring framework for DHBs by 30 November 2000;
- viii development of a proposed framework for DHB benchmarking by 30 November 2000;
- ix accountability arrangements for DHBs during the transitional phase of establishment by 31 August 2000;
- x accountability arrangements related to the Ministry's funding role by 8 May 2000;

#### **OTHER LEGISLATIVE REQUIREMENTS**

agreed that the enabling legislation will provide for a regulation-making power to be established to cover such matters as the financial operating environment, nationwide service coverage and nationwide standards;

agreed that DHBs be added to the fourth, fifth, sixth and seventh schedules of the Public Finance Act 1989;

agreed that the provisions of section 26 of the Health and Disability Services Act 1993, allowing the Minister of Finance to request financial forecasts and financial information, be included in the new legislation;

agreed that the provisions of section 26 of the Health and Disability Services Act 1993, as referred to in paragraph (o) above, be extended to include broad powers for the Minister of Health to request information (that does not compromise patient confidentiality) in relation to any DHB aspect of the DHB's performance;

*OTHER MATTERS*

agreed to a review of the DHB accountability arrangements two years following implementation, that is, in 2003.

Hon Annette King  
**Minister of Health**