

# Briefing

## Quarter 1 2022/23 Monitoring Report – Te Aka Whai Ora

<b>Date due to MO:</b>	9 February 2023	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	2023019839
<b>To:</b>	Hon Dr Ayesha Verrall, Minister of Health		
<b>Copy to:</b>	Hon Peeni Henare, Associate Minister of Health (Māori Health)		
<b>Consulted:</b>	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

### Contact for telephone discussion

Name	Position	Telephone
<b>Robyn Shearer</b>	Deputy Chief Executive, Deputy Director-General, Te Pou Mahi Pūnaha - System Performance and Monitoring	s 9(2)(a)
<b>Jess Smaling</b>	Associate Deputy Director-General, Te Pou Mahi Pūnaha - System Performance and Monitoring	s 9(2)(a)

### Minister's office to complete:

- |   |                                    |  |
|---|------------------------------------|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Decline   | <input type="checkbox"/> Noted               |
| <input type="checkbox"/> Needs change         | <input type="checkbox"/> Seen      | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |  |

Comment:

# Quarter 1 2022/23 Monitoring Report – Te Aka Whai Ora

---

**Security level:** IN CONFIDENCE      **Date:** 9 February 2023

---

**To:** Hon Dr Ayesha Verrall, Minister of Health

---

## Purpose of report

1. This briefing provides the Manatū Hauora assessment of Te Aka Whai Ora quarter one performance. This is informed by regular engagements and analysis of their Quarter 1 2022/23 report.
2. This report discloses all relevant information.

## Summary

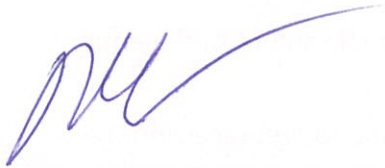
3. The first Te Aka Whai Ora quarterly report reads well overall, and it is clear they have been heavily focused on the establishment of the entity and developing relationships with the wider sector. The Manatū Hauora assessment centred on capability and capacity, focus on priorities, and financial management.
4. The report outlines their key priorities that have been linked to the Interim Government Policy Statement (iGPS) and demonstrates an understanding of their roles. However, information provided by Te Aka Whai Ora is not yet sufficient to form a full assessment of their performance including progress made against Te Pae Tata actions, iGPS priorities, and Statement of Performance Expectations (SPE) measures.
5. It is important to receive detailed financial information around budgets and plans for the year to better understand progress and emerging issues.
6. The reliance on short-term staff affects the ability to create enduring relationships for ongoing shared work between Manatū Hauora and Te Aka Whai Ora.
7. Key concerns of Manatū Hauora include the:
  - a. limited financial reporting, requirements for a detailed phased budget for 2022/2023 and plans to address the significant underspend in non-departmental expenditure
  - b. securing more permanent staff and building the capability of the organisation.
8. Te Aka Whai Ora has taken on a range of direct commissioning functions. Manatū Hauora is wanting to better understand how the commissioning approach aligns to existing national programmes and appropriation expectations, and how they are measuring and reporting on benefits of services.
9. Manatū Hauora is drafting the Letter of Expectations for Te Aka Whai Ora, to be provided to you and anticipated to be sent in March 2023. This will be an opportunity to

reflect on progress to date in year one of transition, and to reconfirm expectations in priority areas.

## Recommendations

We recommend you:

- a) **Note** the Manatū Hauora assessment of the Te Aka Whai Ora quarter 1 2022/23 performance.



Robyn Shearer  
Deputy Chief Executive  
Deputy Director-General  
**Te Pou Mahi Pūnaha | System  
Performance and Monitoring**

Date: 9 February 2023

Hon Dr Ayesha Verrall  
**Minister of Health**

Date:

PROACTIVELY RELEASED



# Quarter 1 2022/23 Monitoring Report – Te Aka Whai Ora

## Background

10. Our assessment of the performance of Te Aka Whai Ora during quarter one of 2022/23 has been informed by their quarterly report and through regular engagements and discussions with Te Aka Whai Ora.
11. The first Te Aka Whai Ora quarterly report focused on the establishment of the entity and developing relationships.
12. The report provided updates on priority areas although we are not yet receiving the depth of insight and interpretation of data we expect to receive when the entity is more established. This limited our assessment on their financial performance and how the system is performing for Māori.
13. Manatū Hauora will continue to work closely with Te Aka Whai Ora expectations for the quarter 2 report, including more detailed reporting against Te Pae Tata actions, iGPS priorities and SPE measures.

## Monitoring Te Aka Whai Ora

14. The monitoring context for Te Aka Whai Ora is as multi-faceted. Te Aka Whai Ora:
  - a. is monitored by Manatū Hauora (as the monitoring department for the responsible Minister) in relation to delivery of requirements set out in the Crown Entities Act 2004, including the way it provides, or arranges for the provision of, services on behalf of the Crown
  - b. is monitored by Manatū Hauora on behalf of the Minister to ensure it is meeting its function and objectives as set out in Pae Ora (Healthy Futures) Act 2022, and that it is giving effect to the iGPS, and is delivering (jointly with Te Whatu Ora) on Te Pae Tata
  - c. has a legislative function to monitor, in co-operation with Manatū Hauora and Te Puni Kōkiri, the performance of the publicly funded health sector in relation to hauora Māori. We note the additional complexity that Te Aka Whai Ora is also a commissioner of services in this context
  - d. has a legislative function to monitor the delivery of hauora Māori services by Te Whatu Ora and provide public reports on the results of that monitoring
  - e. is operating in a context where the Hauora Māori Advisory Committee has a role to provide advice to the Minister as requested and Manatū Hauora must seek and consider the committee's advice before exercising particular powers as specified in the Pae Ora Act.
15. The monitoring of Te Aka Whai Ora will follow similar patterns to the monitoring of the other health Crown entities, but with the addition of the role of the Hauora Māori Advisory Committee and the requirement to monitor the sector's overall performance for Māori woven into the process.

16. Te Aka Whai Ora Output Agreement sets out the monthly, quarterly, and annual reports expected from the entity. Monthly reporting is focused on financial performance, risk management and delivery. Quarterly reporting is focused on delivery against Te Pae Tata actions, iGPS priorities and SPE measures. Te Aka Whai Ora is required by the Crown Entities Act 2004 to produce and present an annual report and is required by the Pae Ora (Healthy Futures) Act 2022 to prepare and present an annual performance report against Te Pae Tata, jointly with Te Whatu Ora.
17. Manatū Hauora is focused on supporting the Minister of Health in her role as responsible Minister. Monitoring processes is focussed on assessing whether, and how well the commitments Te Aka Whai Ora has made to deliver on Government expectations are being met.

### **Performance of Te Aka Whai Ora in Quarter 1 2022/23**

18. The assessment of the performance of Te Aka Whai Ora during quarter one focused on measuring progress in these priority areas:
  - a. Established reporting on core accountabilities and government priorities
    - i. progress against measures listed in accountability documents, including the iGPS, Te Pae Tata, SPE and output agreements
  - b. Entity establishment including:
    - i. hiring into key senior positions
    - ii. assurance that there is clear understanding at all levels of structure and responsibilities
  - c. Financial performance and processes to be established and understood
  - d. Risks management processes to be established and understood
  - e. Operational performance including progress on:
    - i. commissioning and co-commissioning
    - ii. strategy and policy
    - iii. monitoring
    - iv. Iwi Māori Partnership Boards and localities.
19. Visibility of how establishment activities are progressing is critical to providing Manatū Hauora with assurance that leadership, internal processes and building core functions are maintaining momentum and being embedded.

### **Established reporting on core accountabilities and government priorities**

20. The quarter one report provided a good overview of the work that is underway, and Te Aka Whai Ora demonstrated an understanding of their roles and relevance of the work.



21. Te Aka Whai Ora provided a general update across all the iGPS priorities<sup>1</sup> for quarter one.
  - a. Strategy and policy – linked to iGPS priorities 2, 4 and 6.
  - b. System monitoring – linked to iGPS priorities 1, 2 and 4.
  - c. Commissioning and co-commissioning – linked to iGPS priorities 1, 2, 3 and 6.
  - d. Localities – linked to iGPS priorities 2 and 3.
  - e. Iwi Māori Partnership Boards – linked to iGPS priorities 1, 2, 3 and 6.
  - f. Workforce development – linked to iGPS priority 4.
22. Te Aka Whai Ora were clearly mindful of linking their key priorities to the iGPS and baselines have been established for reporting against 7 of the 13 Te Aka Whai Ora SPE measures. The remaining 5 measures will be developed in quarter 2 or by the end of the year in time for their annual report.
23. We expect Te Aka Whai Ora quarter 2 report to provide further detail on milestones and progress made against Te Pae Tata actions, iGPS priorities and SPE measures as well as some data and trends over time. There are several Whakamaui measures available that provide a view of how the health system is performing for Māori such as, missed First Specialist Assessments, ambulatory-sensitive hospitalisations for Māori children and timely Māori rangatahi access to specialist mental health services.
24. While Te Aka Whai Ora utilise existing data platforms to identify potential measures and outcomes, we will advise Te Aka Whai Ora that it would be valuable for them to consider how they report the benefits of services they directly commission including rongoā Māori services.
25. Manatū Hauora will request that Te Aka Whai Ora provide us with a draft of their quarter 2 report to ensure we can provide feedback prior to it being sent to your office. Work will continue with Te Aka Whai Ora to increase information flows, including receiving the monthly financial information that goes to the Board as well as Board agendas and papers.
26. We provided an expected financial template to Te Aka Whai Ora at the end of last year and have engaged with them on receiving their financial information. However, this is dependent on Te Aka Whai Ora establishing a detailed phased budget for 2022/23 and having reporting processes in place.

---

<sup>1</sup>Priority 1 – Achieving equity in health outcomes

Priority 2 – Embedding Te Tiriti o Waitangi across the health sector

Priority 3 – Keeping people well in their communities

Priority 4 – Developing the health workforce of the future

Priority 5 – Ensuring a financially sustainable health sector

Priority 6 – Laying the foundations for the ongoing success of the health sector



## Entity establishment

27. Te Aka Whai Ora describes itself as being on an organisational maturing journey, with phasing of the development of the organisation through to July 2024. Three permanent Deputy Chief Executive roles (Mātauranga Māori, Service Development, and Public and Population Health) have been appointed from 17 January 2023. This will support stability when the reliance on short-term staff has affected the ability to create enduring relationships for ongoing shared work.
28. Te Aka Whai Ora advised they are still working under their day one operating model. We recognise the need for contractors and consultants in some areas, such as their monitoring function, where there are gaps in capability and capacity. All tier 2 staff have been appointed and other appointments are well underway.
29. There has been one resignation from the Board on top of an existing vacancy, and the term of 2 other Board members is coming to an end. This is a risk to organisational governance skills and capacity. Recruiting the new members is the current area of focus for the Hauora Māori Advisory Committee, supported by Manatū Hauora.

## Financial performance and processes

30. Te Aka Whai Ora is still in establishment phase and are, therefore, still in the process of establishing their baseline financial processes, budgets, and performance reporting.
31. Te Aka Whai Ora are reporting a significant \$35.8 million (26.7 percent) YTD overall underspend. This may be due to incorrect 2022/23 operating budget phasing. Updated detailed 2022/22 budgets were approved by the Board in December. This may change the reported YTD underspend, and this will become apparent when we receive their December financials.
  - a. Operating/Departmental expenditure is \$2.6 million (42 percent) underspent against budget which does not appear to have been phased effectively across the next year.
  - b. Commissioned/Non-departmental expenditure (NDE) is \$33.1 million (26 percent) underspent due to interim budget phasing. Te Aka Whai Ora are forecasting to spend to budget for the full year.
32. We have established monthly financial review meetings with the Deputy Chief Executive – Finance and Support Services to discuss financial reporting monitoring expectations. The new Deputy Chief Executive – Finance and Support Services is focussed on establishing the General Ledger and embedding financial policies, processes, guidelines, and training.
33. We note Te Aka Whai Ora total budget excludes any in-principle expense transfers from 2021/22 and the financial impacts of the transfers of staff and contracts from Te Whatu Ora. We will work with Te Aka Whai Ora as this is expected to be updated in the October baseline updates and incorporated into quarter 2 reporting. The financial impact of the next tranche of transfers will be finalised in the March 2023 baseline update.
34. By quarter 3, we expect Te Aka Whai Ora to have established comprehensive financial performance reporting; we provided them with templates to support the development of their reporting.



35. We have not received an end-of-year forecast, yet Te Aka Whai Ora anticipates a full-year underspend against their operating budget. A risk is this underspend growing due to basing their forecast on an ambitious recruitment plan for the remainder of the financial year.
36. We raised concerns with Te Aka Whai Ora on delays with commissioning and contracting that is likely to impact on their finances. They provided reassurance that their funding will be spent by the year end.
37. Another key financial risk currently being managed is addressing some legacy commissioning contract issues (\$22 million from a total of \$350 million), Te Aka Whai Ora is working closely with Te Whatu Ora.

## **Risk management and processes**

38. The monthly and quarterly reporting shared with Manatū Hauora does not enable a clear view of overall risk management and mitigation. To provide assurance of risk management processes, we will ask to see the supplementary information accompanying the monthly and quarterly reporting. This would support our understanding of how the Board and executive team at Te Aka Whai Ora receive advice to assist them with decision making and escalation.
39. While we develop an escalation process, we will actively engage with Te Aka Whai Ora through existing engagements, such as the Director-General's meetings with the Board, Board Chair and Chief Executive, to work through issues with subject matter experts.

## **Operational performance**

### *Commissioning and co-commissioning*

40. Te Aka Whai Ora has taken on direct commissioning responsibility for a range of health services. This approach was agreed between Te Whatu Ora and Te Aka Whai Ora, and has resulted in the transfer of functions, staff and funding to Te Aka Whai Ora. While this functional shift is enabled through the Pae Ora (Healthy Futures) Act 2022, in taking on of the direct commissioning role there is some risk that capability and capacity is re-directed to its direct procurement, contract management and contract monitoring. We will keep focus on this, ensuring that Te Aka Whai Ora embodies its role as the strategic advisor, direction setter and monitor of service commissioning in general to make sure investment in all services are grounded in te ao Māori, and will ensure that the wider health system better recognises and is more responsive to Māori needs. It will be important that the function is undertaken effectively, is well joined to Te Whatu Ora, and that strategic and operational priorities are balanced. Te Aka Whai Ora have included updates on their commissioning activity in recent weekly reports. We are arranging a dedicated session with them, scheduled for 8 February 2023, to understand their commissioning approach. This will include how they intend to support improved outcomes and service access for Māori, and how they align to agreed priorities, funding allocations and appropriations.
41. We note the significant underspend of non-departmental expenditure in quarter 1. We understand the underspend was due to deferred commissioning, as the Board created a subcommittee to develop a clearer approach to commissioning and to engage with Māori health providers. The Board wanted to ensure that the commissioning approach



would truly drive the changes in equity and outcomes being sought. We will discuss if Te Aka Whai Ora has a plan or a financial forecast in our next meeting with their Deputy Chief Executive – Finance and Support Services. We will also discuss current capability and understanding within Te Aka Whai Ora on how the budget appropriation process works and the limitations on how funding can be used; for example, COVID funding.

### *Strategy and policy*

42. Manatū Hauora is continuing to work with Te Aka Whai Ora to clarify the scope of their policy function and establish ways of working.
43. Te Aka Whai Ora continues to engage with us on the work to repeal and replace the Mental Health (Compulsory Assessment and Treatment) Act 1992. Now that Cabinet has agreed to the foundational policy proposals for the new mental health legislation [SWC-22-MIN-0234], we will be looking at opportunities to progress work with Te Aka Whai Ora on areas to start shifting services and practices to support the direction of the proposed legislation. This includes progressing work on the goal to eliminate seclusion and reducing restraint.

### *Monitoring*

44. This quarter, Manatū Hauora is placing dedicated focus on our co-monitoring functions with Te Aka Whai Ora, Te Puni Kōkiri, and other health entities with monitoring responsibilities. There is a dedicated hui in March on this, and we will provide further advice to you as this progresses.
45. Monitoring is an area within Te Aka Whai Ora where permanent leadership and subject matter capability has not been confirmed. Manatū Hauora will be discussing capability and capacity with Te Aka Whai Ora in its upcoming engagements with executives.
46. We note that Te Aka Whai Ora has developed its monitoring expectations. We have requested a copy of this guidance which will help inform our discussions with Te Aka Whai Ora on how to co-monitor Te Whatu Ora performance.

### *Localities*

47. As localities are being developed, we will work with Te Aka Whai Ora to understand what is in place to ensure that the quality and safety of care provided is being considered and monitored. Manatū Hauora will support clinical governance, which may be more diverse and inclusive of Mātauranga views and perspectives.

### **Next steps**

48. Based on this quarterly assessment, Manatū Hauora is focusing its monitoring engagements with Te Aka Whai Ora in the following areas.
  - a. Organisational capability to deliver to priority areas of work, and mitigating risk where capacity is limited.
  - b. Organisational risk management.
  - c. Organisational performance management.
  - d. Financial budgets and forecasts.
  - e. Commissioning approach.



49. In Ministerial engagements with the Te Aka Whai Ora Board and executives, we suggest you may want to engage on the following questions:
- a. I understand you have made positive progress in confirming key leadership positions, however I am also aware that in a number of priority areas you still have capability and capacity gaps, such as financial management and performance monitoring. How are you intending to keep momentum at this important time with the known gaps?
  - b. How is the Board understanding organisational progress and risks?
  - c. What information is the Board getting from Te Aka Whai Ora to understand what is happening and where your focus should be prioritised?
  - d. What risks and issues need to be managed to ensure that Te Aka Whai Ora can deliver to their 2022/23 financial forecast?
  - e. Importantly, your commissioning approach aims to drive change in service delivery and outcomes for Māori. How are these outcomes translating into operational commissioning processes?
50. The Director-General of Health has engaged with the Board Chair on the Output Agreement with Te Aka Whai Ora which formalises performance reporting and monitoring expectations. This will be a useful mechanism to support our discussions with Te Aka Whai Ora on information flow between our entities. Manatū Hauora is following up with Te Aka Whai Ora on progressing the counter-signing of this Agreement.
51. Manatū Hauora is preparing a Letter of Expectations for Te Aka Whai Ora, to be provided to you and anticipated to be sent in March 2023. This will be an opportunity to reflect on progress to date in year one of transition, and to reconfirm expectations and implementation plans for priority areas.
52. We are working with Te Aka Whai Ora on re-tabling their SPE, with updated financial reporting and will liaise with your office once it has been finalised.
53. A meeting with Te Aka Whai Ora is being scheduled for February 2023 to discuss our feedback on their quarter 1 performance and expectations for the quarter 2 report. The feedback will include but is not limited to a request for further details on milestones and progress made against Te Pae Tata actions, iGPS priorities and SPE measures, as well as some data and trends over time. There are several Whakamaua measures available that provide a view of how the health system is performing for Māori such as, missed First Specialist Assessments, ambulatory-sensitive hospitalisations for Māori children and timely Māori rangatahi access to specialist mental health services.
54. We will work with Te Aka Whai Ora to increase information flows, including receiving the monthly financial information that goes to the Board, as well as Board agendas and papers.

**ENDS.**

## **Minister's Notes**