

# Template 1: Budget Initiative template

There are five sections of this template agencies need to fill out:

- Overview and context
- Detail on the investment proposal
- Wellbeing impacts and analysis
- Cost understanding and options
- Collaboration

## Overview and context

Key Question/area	Comment/answer
<b>Agency to complete</b>	
Portfolio of lead Minister	Hon Dr David Clark, Minister of Health
Portfolio(s) of other Ministers involved (if this is a joint initiative)	
Votes impacted	Vote Health
Initiative title	Enhancing the Ministry's Capital Management and Infrastructure Development Capabilities
Initiative description	This funding will support the Ministry of Health to implement the findings of the Treasury review of the Health Sector Investment Management System and includes a placeholder estimate of the costs of establishing a health infrastructure delivery unit.
Type of initiative	Non-discretionary cost pressure
If this initiative relates to a priority, please outline the specific priority/ies it contributes to	
Does this initiative relate to a commitment in the Coalition Agreement, Confidence and Supply Agreement, or the Speech from the Throne?	No
Agency contact	Mhairi McHugh, Manager, DHB Capital, s 9(2)(a)
Responsible Vote Analyst	

## BUDGET SENSITIVE

### Funding

Funding Sought (\$m)	2018/19 <sup>1</sup>	2019/20	2020/21	2021/22	2022/23 & outyears <sup>2</sup>	TOTAL
Operating DE investment capability	s 9(2)(f)(iv)					
Operating DE infrastructure delivery unit						
<b>TOTAL Operating DE capital capacity and capability bid</b>						

Funding Sought (\$m)	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
Capital <sup>3</sup>	s 9(2)(f)(iv)										

## 1. Executive Summary

### 1.1 EXECUTIVE SUMMARY

#### A. Short summary of the proposed initiative and expected outcomes.

This initiative seeks funding to improve the Ministry’s Health Sector Investment Management Function. The funding will be used to address the problems identified in the Treasury review document “Treasury review of the Health Sector Investment Management System”.

Capability and Capacity will be enhanced to improve the following:

- Long term strategic investment planning
- National Asset Management planning
- System and portfolio governance
- Portfolio management and support
- Standards, settings, frameworks and guidance
- System and project monitoring, assurance, and advice

This will assist in the goal of ensuring that investments are made in the right place at the right time to enhance the health and well being of New Zealanders and that investments offer best value for money.

**This bid includes a placeholder estimate of funding for the proposed Health Infrastructure unit that addresses another area of the review –planning and delivery of health sector projects. This is subject of a separate paper which at the time of writing is with Joint Ministers “Treasury report Establishment of a Health Infrastructure Unit”**

## 2. The Investment Proposal

<sup>1</sup> If there is no funding required in 2018/19, then please delete this column

<sup>2</sup> If funding is time-limited and does not carry on into out-years please delete the reference to “& outyears”

<sup>3</sup> The first 10 years of capital investment is counted against the multi-year capital allowance. Please reflect the full 10 year profile in the table.

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2.1 Description of the initiative and problem definition	
<b>What is this initiative seeking funding for?</b>	<p>The initiative will fund staff to manage the Health Sector Investment Management Functions and provide funding for expert input to the process. Ministers approved the set-up of the National Asset Management Plan as a project. Part of this funding will allow this to become a business as usual function, supported by a national asset register.</p> <p>This initiative will allow for the set up a Health Infrastructure unit with funding for senior management, cross project support (media, project office, commercial and design, Business case writers). Funding for individual projects will be approved as part of business case approval processes.</p>
<b>Why is it required?</b>	<p>The DHBs have identified over \$14 billion of new capital required over the next 10 years. Health has submitted a bid for \$850m p.a. over the next 4 years for the Health Capital Envelope to continue to address the investment needs of the sector. The increase in required capital investment is unprecedented and is already placing a strain on existing capability and capacity both within DHBs and the Ministry.</p> <p>The treasury review has concluded that the Ministry is not well placed to fulfil its stewardship role because of institutional barriers including the structure of the system, a perceived lack of mandate, and insufficient capability and capacity.</p> <p>The first phase of the National Asset Management Plan work programme has identified the need for a National Asset register with an implementation cost estimate of up to ██████.</p> <p>Additional funding will build Ministry capability and capacity that can in turn support DHBs.</p> <p><b>Infrastructure delivery</b></p> <p>The current model for supporting health infrastructure planning and delivery through the partnership group model is not fit-for-purpose to support the upcoming investment pipeline.</p> <p>The Treasury report recommends, subject to Budget 19 decision-making, the establishment of a stand-alone health infrastructure unit within the Ministry of Health that would include planning and delivery, standards and project support for DHBs. Individual partnership groups would be replaced with a portfolio-level external oversight and integrated Ministry/DHB governance/project teams</p>
2.2 Options analysis and fit with existing activity	
<b>What other options were considered in addressing the problem or opportunity?</b>	<p>The options included here are based on the Treasury reviews and assume a certain institutional form. This has not yet been worked through in detail or agreed. However the underlying skill sets and functions would remain the same under alternative forms, so the budget bid would be very similar.</p>
<b>What other similar initiatives or services are currently being delivered?</b>	<p>These functions are currently delivered by the Ministry but the quality, quantity and timeliness of work is constrained by lack of capacity and capability.</p>

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<b>What other, non-spending arrangements in pursuit of the same objective are also in place, or have been proposed?</b>	Not applicable.
<b>Strategic alignment and Government's priorities/direction</b>	The Government has stated its intention to improve DHB infrastructure for which this is an enabler
<b>2.3 Outcomes</b>	
<b>Overall outcomes expected from this initiative</b>	<p>Capability and Capacity will be enhanced to improve the following:</p> <ul style="list-style-type: none"> <li>• Long term strategic investment planning</li> <li>• National Asset Management planning</li> <li>• System and portfolio governance</li> <li>• Portfolio management and support</li> <li>• Standards, settings, frameworks and guidance</li> <li>• System and project monitoring, assurance, and advice</li> <li>• Business Case and project delivery</li> </ul> <p>This will assist in the goal of ensuring that investments are made in the right place at the right time to enhance the health and well being of New Zealanders and that investments offer best value for money.</p> <p>The first phase of the National Asset Management Plan work programme commissioned a review by Morrison and Low of the need for a National Asset Register. The report has identified the need for a National Asset register with an implementation cost estimate of up to ██████</p> <p>We expect that at the system level the bid will lead to savings and quality improvement in DHB LTIPs, Business Cases and investments. There is a lot of duplication, repetition of work and redundancy of work in the current LTIP, Service planning, Business Case process and this funding will provide tools to reduce this wastage.</p> <p>Centralising the design and procurement of major infrastructure should also lead to benefits of reduced cost and improved quality.</p>
<b>2.4 Implementation, Monitoring and Evaluation<sup>4</sup></b>	
<b>How will the initiative be delivered?</b>	The Ministry will undertake a change management project to implement the findings from the Treasury review and other capacity gaps identified by the Ministry.
<b>How will the implementation of the initiative be monitored?</b>	Report back to Treasury on the implementation of the review
<b>Describe how the initiative will be evaluated</b>	Through standard monitoring of the Ministry of Health.

<sup>4</sup> This doesn't necessarily have to include a full implementation and evaluation plan, however the information provided must provide confidence that the proposal will be successfully delivered and there is a plan to ensure that the outcomes described are actually achieved.













### 3. Wellbeing Impacts and Analysis

#### 3.1 Wellbeing domains – People’s experience of wellbeing over time

**Identify and quantify how the initiative impacts on wellbeing domains**

Please fill in Table 3.1 below. Impacts need to be grouped under the relevant domains, as provided in the key below. Use the relevant domains, ordering them from top to bottom according to which domain your initiative achieves the greatest impact in. This analysis must also capture any negative impacts.




The wellbeing domains are outlined here for you to use in your table:

Civic engagement and governance 	Jobs and earnings 
Cultural identity 	Knowledge and skills 
Environment 	Safety 
Health 	Social connections 
Housing 	Subjective wellbeing 
Income and consumption 	Time-use 
	Other



**BUDGET SENSITIVE**

3.1 Wellbeing domains – People’s experience of wellbeing over time


<b>Domains</b> List domains, using the key above, where there is an impact. Order domains by magnitude of impact, i.e. largest impact domain first <sup>5</sup> .	<b>Impact(s) description</b> Identify the impacts, with a separate line for each impact relating to a specific domain	<b>Who are affected?</b> Individuals/families/government/etc? Be as specific as possible. Are there distributional differences?	<b>Magnitude of impact</b> Relative to the counterfactual key assumptions, quantified to extent possible, and where possible monetised	<b>How big?</b> High/ Moderate/ Low, or where possible present value	<b>Realised in</b> <5 / 5-10 / 10+ years	<b>Evidence base</b> Nature of evidence and key references	<b>Evidence quality</b> High/ Medium/ Low
Health  Primary	Increased access to health services provided by additional capacity	Individuals and their families (not restricted to DHBs with prioritised projects due to the networked health system).	Physical capacity is a key requirement for service provision (in conjunction with staffing and other resources). Insufficient capacity will lead to reduced service provision and inefficient care (due to bottlenecks).	High	Variable depending on business case development. Usually 5+ years for completion	Capacity planning analysis has shown the need for additional beds, theatres and other capacity in many DHB catchments.	High
	Resilient and robust health facilities, infrastructure and ICT	Individuals and their families (not restricted to DHBs with prioritised projects due to the networked health system).	Reduces the risk of a critical failure in facilities, infrastructure or ICT (which in turn reduces the risk of critical or catastrophic service failure, with consequent impact on health outcomes).	High	Variable depending on business case development.	Current condition assessments undertaken by DHBs (including infrastructure, seismic etc), plus anticipated additional evidence identified by the assessments as part of the National Asset Management Plan (NAMP) work currently underway.	High – Medium (depending on project stage)
	Mental health facilities that are fit for purpose and that provide sufficient capacity	Mental health service users and staff.	Facilities that are fit-for-purpose and have sufficient capacity will enhance service provision, and reduce the risk to patients and staff.	High	Variable depending on business case development. Likely 3+ years.	Facility condition assessments (building and clinical fit for purpose).	High
Jobs and earnings  Secondary	Avoided lost work and productivity	Health system users.	Timely access to appropriate health care will reduce unnecessary time off work.	Med	5-10 years ongoing		Moderate
Knowledge and skills  Secondary	Increased workforce	Construction and health workforce	Developing, delivering and operationalizing the approved projects will increase the training and employment opportunities for construction and health workers.	Med	5-10 years ongoing		Moderate

<sup>5</sup> Please note that in CFISnet, you will need to include the primary domain impacted, and up to two secondary domains impacted by the initiative. You can include as many domains as relevant in this table.

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### 3.2 Wellbeing capitals – Sustainability for future wellbeing

**Wellbeing capitals** Please fill out the table below to demonstrate how your initiative may contribute positively, negatively or neutrally to the four capitals.

 <b>Capitals</b>	<b>Describe the impact and its magnitude</b>	<b>Realised in &lt;5 / 5-10 / 10+ years</b>
Financial/Physical	<b>Increase.</b> This initiative aims to improve the value for money from investments in health infrastructure by ensuring that the right decisions are being made and that projects are properly monitored	Variable – likely majority will be 3-5+ years
Human	<b>Increase.</b> This initiative will support individual's health (physical and mental) through the provision of improved health facilities and supporting infrastructure and ICT. This will mitigate the risk of service failure or insufficient capacity with potential financial and human loss.	Variable.
Natural	<b>No significant net impact.</b> There may be some negative impact during construction of facilities. There may also be positive impact because new facilities may be able to incorporate measures for carbon neutral or other sustainability measures.	N/A, as no net impact.
Social	<b>Maintain.</b> Access to safe and appropriate health care is one of the norms and values that underpins society.	Variable – likely majority will be 3-5+ years

### 3.3 Risk and resilience narrative

**Does the initiative respond to or build resilience?**

Part of the funding sought is to provide ongoing funding for the National Asset Management Plan, Asset register, and the Health Asset Management Improvement group. These initiatives are designed to understand the need for investments and to improve asset management practice. Both activities should build resilience of the health facility network.

Part of the funding is for improvements to guidance and standards. This should help to ensure that facilities are fit-for-purpose to maintain or improve existing levels of well-being for service users and staff.

Current capital planning and delivery is fragmented around the country. Centralising some of these functions will support resilience.

## 4. Costing understanding and options

### 4.1 Detailed funding breakdown

Please provide a breakdown of the costs of this initiative

Operating DE investment capability

A change management project is required to implement the changes to the system. The initiative has been based on looking at the output areas from the Treasury report and identifying capability and capacity gaps based on skill sets. As existing staff will cover some areas of work this table does not cover the full cost of the investment system: it is based on a gap analysis.

Skill sets	Supports	FTE	2019/20	2020/21
Asset Management experts	NAMP, Asset register, Investment plan, LTIP and BC review			
Data management and analytics	NAMP, Asset register, Investment plan, LTIP and BC review, budget bids, monitoring and reporting			
Project management, guidance and template writers	Business Cases, LTIPs, monitoring			
web-site set up, consultant support for guidance work	Business Cases, LTIPs,			
Health planners	NAMP, Investment plan, Business Case and LTIP Review, Australasian Health Infrastructure Alliance (standards stewardship and research)			
External expert support and travel and catering for Australasian Health Infrastructure Alliance	Australasian Health Infrastructure Alliance (standards stewardship and research)			
Business Case and LTIP expert peer review fund	Business Cases, LTIPs,			
Additional PM/Management/project co-ordinator/ EA support	across all			

s 9(2)(f)(iv)

#### Capital sought

The first phase of the National Asset Management Plan work programme has identified the need for a National Asset register with an implementation cost estimate of up to [REDACTED]

#### Operating DE infrastructure delivery unit

The placeholder estimate for the Health Infrastructure Unit is [REDACTED] ongoing. However in year one the unit will not be fully set up and the existing projects already have funding approved for Business Case and delivery. Therefore an allowance of [REDACTED] has been made.



## BUDGET SENSITIVE

### 4.2 Options for scaling and phasing

#### Scaling, phasing or deferring - including 75% and 50% scenarios

#### Investment Management

The Treasury review made a provisional estimate of **s 9(2)**. We have based the bid on a 70% year one, 60% ongoing basis.

The **██████████** existing staff would lead to **██████████** with each team leading on 2 of the functional areas. Our view is that this is an achievable expansion from our current base and sufficient additional staff to make a real difference to capability and capacity without being such a step change that the implementation would be unmanageable. The bid assumes cross team working and support

A 75% or 50% bid would be achieved by one of the following:

1. Drop a function – asset management for example
2. Downsize each function
3. Pass some costs onto DHB – ie require DHBs to fund independent peer review as a condition of project prioritisation or approval.

#### Infrastructure Unit

The unit costs are based on hiring a critical mass of expertise with other costs charged to project budget. A lower DE amount would increase the charge to individual projects.

## 5. Collaboration

5.1 Collaboration and evidence	
<b>What type of cross-agency and/or cross-portfolio initiative is this?</b>	This initiative is based on the Treasury review of Ministry functions, and the Treasury report
<b>Agencies and Ministers that have been engaged in initiative development</b>	The Ministry of Health has relied on information from The Treasury in developing this bid. Treasury consulted with DHBs.
<b>Impact of cross-agency collaboration</b>	DHBs have provided project information to support the initiative however they have not been consulted on the final approach. Further work will be required to develop roles and responsibilities
<b>Risks and challenges</b>	This is a major change project and there are a number of risks: Changes to roles within the Ministry can be destabilising Changes to roles between the Ministry and DHBs will lead to conflict Difficulty in recruiting skilled staff