

Accountability Arrangements

Introduction

There are a number of mechanisms by which the key Crown entities within the health sector are held accountable for their performance. This paper focuses on the key accountability arrangements as they affect District Health Boards (DHBs), and briefly outlines the key reporting requirements for the Minister of Health and the Ministry of Health (including the Director-General of Health).

The paper describes the package of accountability documentation and arrangements for DHBs and highlights some of the current issues associated with these arrangements, including

- achieving a balance between national consistency in service provision and individual DHB objectives and prioritisation of those services to meet the local health needs
- effectiveness and efficiency of existing accountability arrangements, including reducing the cost of compliance for DHBs and greater streamlining of the accountability documents
- using the accountability and reporting arrangements to manage DHB performance
- the role of public in the DHB accountability process

The key reporting requirements for the Minister of Health are in terms of the [New Zealand Health Strategy](#) (NZHS), while the Ministry must report against both its health performance and its service performance as a government department.

Background

Each year DHBs are required¹ to have in place a set of formal accountability documents. The development process for these documents is undertaken by the Ministry in collaboration with DHBs, usually commencing six to nine months before the start of an accountability period.

Through a combination of deskwork, workshops, teleconferences and meetings, the existing accountability framework is updated for the subsequent period through a quality improvement approach. The full accountability framework consists of a set of formal accountability documents, supported by planning package material.

¹ New Zealand Public Health and Disability Act 2000, Public Finance Act 1989

Formal Accountability Documents

Formal components of the framework that require signoff from the Minister of Health and DHBs are as follows:

- Crown Funding Agreement (CFA)²
- District Strategic Plan (DSP)³
- District Annual Plan (DAP)⁴
- [Statement of Intent](#) (SOI)⁵

The content of the DSP and DAP are established by the provisions of the NZPHD Act and ministerial guidance; the content of the SOI is determined by the PF Act. DSPs are intended to spell out DHBs medium to longer-term goals for the health of their populations, consistent with the [New Zealand Health Strategy](#) and [New Zealand Disability Strategy](#), while DAPs spell out DHBs shorter-term objectives and identify the range of services they will fund and/or provide for their populations. The CFA is the formal accountability agreement with the Minister, in which the DHBs and Minister agree mutually binding expectations (to deliver specified performance in exchange for defined levels of funding). Statements of Intent are aggregate level Parliamentary accountability documents.

The CFA formally obligates DHBs to comply with an Operating Policy Framework (OPF) and Service Coverage Schedule (SCS); with the Crown and the DHBs able to agree and list any appropriate variances to the OPF, in the CFA. The DAP is required to contain Indicators of DHB Performance (IDP) and is the document where any gaps in service coverage must be listed, supported by a work out plan to resolve any gaps.

The formal accountability documents are supported by:

- a Planning Package that provides both planning guidance and policy guidance for DHBs
- an infrastructure that supports “contracting” and information management.

The relationship between the policy documents and key accountability documents are outlined below.

² s 10, NZPHD Act

³ s 38, NZPHD Act

⁴ s 39, NZPHD Act

⁵ s 42, NZPHD Act, PF Act

Table 1: Interrelationships between Policy and Key Accountability Documents

Operating Policy Framework (OPF)	<i>Crown Funding Agreement (CFA)</i>	
	<p>Obligations on DHBs to comply with the OPF, is enforced through the Crown Funding Agreement (CFA), with the effect that the OPF becomes an extension to the CFA with respect to mandatory requirements.</p> <p>Exceptions (if any), which an individual DHB has from the OPF, are required to be listed in schedule E of the CFA.</p> <p>Precedence Priority Order: Unless explicit stated as an exception under Schedule E, content in the CFA takes precedence over content of the OPF, where any doubt.</p>	
Service Coverage Schedule (SCS)	<i>CFA</i>	<i>District Annual Plan (DAP)</i>
	<p>Obligations on DHBs to comply with the SCS, are enforced through the Crown Funding Agreement (CFA), with the effect that the SCS becomes an extension to the CFA with respect to mandatory requirements.</p>	<p>Exceptions (if any), that an individual DHB has from the SCS, are required to be agreed through the approval of the DAP process</p>
Indicators DHB Performance (IDP)	<i>CFA</i>	<i>District Annual Plan (DAP)</i>
	<p>Obligations on DHBs to comply with the IDP, are enforced through the Crown Funding Agreement (CFA), with the effect that the IDP becomes an extension to the CFA with respect to mandatory requirements</p>	<p>Exceptions and/or Targets: Any exceptions or targets as they relate to the standard National set of "Indicators of DHB performance" are required to be agreed through the approval of the DAP process</p>

DHB Planning Package Material

The "planning package" for DHBs provides a framework for their planning and a base for their operational management. It comprises:

Planning Guidance

- guidance on the content of District Annual Plans (DAPs)
- guidance on the content of District Strategic Plans (DSPs)⁶
- revenue projections
- a Ministerial Expectations letter, to establish expectations (including priorities for service development and features of organisational performance for boards to focus on).

⁶ Not an annual function. Commencing July 2002, DSPs are to have a five to ten year outlook and to be reviewed at least once every three years.

Policy Guidance

Operational Policy Framework (OPF)

The OPF comprises the quasi-regulatory rules that govern DHBs operations (including provisions relating to relationships with Maori, prioritisation processes, provider selection, contracting with non-governmental organisations, risk management, industrial relations and the like). The financial operating environment is also outlined (accounting standards, accounting practice, applications for additional equity or for approval to raise debt for capital works purposes, use of private sector finance and so on).

Advisory guidelines are also included in the OPF, for example, best practice in the accounting area, policy in relation to establishment of primary health organisations, and the Government's performance monitoring and intervention framework.

Compliance with the OPF is applied through the CFA, with the effect that the OPF becomes an extension to the CFA with respect to its mandatory requirements. Exceptions (if any) that an individual DHB has from the OPF are required to be listed in schedule E of the CFA.

Service Cover Schedule (SCS)

The SCS, which describes the nationwide minimum service coverage; that is the range of health and disability services the Government expects will be made available to eligible people through Vote: Health (that either the DHBs or Ministry of Health are expected to fund).

Obligations on DHBs to comply with the SCS are applied through the CFA, with the effect that the SCS becomes an extension to the CFA. Exceptions (if any), that an individual DHB has from the SCS, are required to be agreed through the approval of the DAP.

Agreed exceptions to service cover have included, but are not limited to, higher than expected average time to secure access to services, where geographical problems or workforce shortages create barriers to access. While geographical problems are accepted, DHBs are expected to plan to address other agreed variations to service coverage.

Indicators of DHB performance (IDP)

The indicators of DHB Performance are a set of annual accountability indicators on which the DHBs are required to report to the Ministry of Health. These indicators allow the Ministry to gauge how individual DHB's are performing, particularly in relation to progressing the New Zealand Health Strategy (NZHS) and key Minister expectations for a given annual period (as articulated in the Ministers "Start Here list" for the 2002-2003 financial year). Existing IDP include measures of:

- the governance function (planning, strategy development, performance management, including management of financial performance)
- the funder function (service coverage via access to key services, implementation of Government policy, for example, waiting times for elective services, establishing primary health organisations)

In reviewing DHB performance, and additional to the IDPs which are formal accountability indicators:

- the role of DHBs as providers of health and disability services is evaluated using financial management tools and a balanced scorecard/ benchmarking approach. This includes some measures of service quality
- in addition, many elements of DHB performance are monitored routinely. This covers access to services (utilising throughput measures) and performance issues are managed via a relationship-based model through the DHBF&P Account Managers.

This review of individual DHB performance is distinct from the overall evaluation of the health sector's performance in terms of improving the state of New Zealanders' health, which is prepared annually by the Ministry of Health, [The Health and Independence Report](#), November 2001.

Operational Management and Process Framework(s) for DHBs

As indicated by the title of this section, the Operational Management and Processing Frameworks provide DHBs with help, assistance and support, to manage operational and data reporting/collection processes. It comprises:

Nationwide Service Framework

The Nationwide Service Framework (NSF) is a collection of definitions, tools, processes, and decision rules that allow the sector to use a common language when analysing, funding and monitoring services according to Service Coverage.

The NSF is designed to ensure:

- transparency, comparability, and risk management – make it clear what is funded or provided, to facilitate analysis, prioritisation, and benchmarking
- minimisation of transaction costs – facilitate information sharing and interactions among DHBs and with the Ministry, avoid duplication, and shift focus to value-adding activities.

The mandate for the non-discretionary components comes from Government policy⁷ (and regulation-making provisions of s90(i) of the [New Zealand Public Health and Disability Act 2000](#). The non-discretionary components of the NSF are identified in Chapter 8 of the OPF and include:

⁷ Cabinet decisions regarding the Roles of DHBs and the Ministry, Rules for Devolution, Framework for DHB Regulatory and Operational Policy Requirements, Putting Accountability Arrangements into Practice

- service specifications
- common service agreement forms
- monitoring processes (these are a transitional requirement)

All NSF information is available in an electronic library, which the Ministry maintains and DHBs can access. The public is informed of DHBs' intentions through their DSPs and DAPs, which must be publicly available.

National Systems Infrastructure

(a) Agreement Management and Payment Systems

HealthPAC (formerly the Ministry of Health's Shared Support Services Agency and Health Benefits Office) manage service agreements and payments. This arrangement, mandated in the OPF, ensures consistency in systems between DHBs and facilitates data capture and analysis

(b) Data Systems Warehouse

This comprises a collection of databases which provide for the sector's information needs and is managed by the Ministry's [New Zealand Health Information Service \(NZHIS\)](#).

(c) Information Liaison Group

This Group manages the change control processes contained in the Memorandum of Understanding between the Ministry and DHBs relating to the services the Ministry is expected to provide to DHBs to allow them to manage service agreements and effect payments. The Group is chaired by the Ministry's Deputy-Director General, Corporate and Information.

(d) NSF Co-ordinating Group (NCG)

This co-ordinating group comprises representatives of the Ministry and DHBs, and is chaired by the Ministry (Deputy-Director General, DHB Funding and Performance). The Group oversees and manages the NSF; its primary focus is on maintaining and improving the mandatory elements of the NSF.

Key DHB Monitoring Requirements

A formal monitoring system is in place, to ensure that an appropriate level of accountability is occurring, based on formal reporting by DHBs including routine financial and non-financial reporting, ad hoc issues based reporting and relationship management, sector intelligence and data analysis undertaken by the Ministry.

The reporting requirements ensure that the DHBs provide the Minister and the Ministry with information that enables monitoring of their performance against any agreement between the parties and provides advice to the Minister in respect of this.

Issues with DHB Accountability Arrangements

Balancing national consistency with individual DHB objectives and prioritisation

The fundamental function of a DHB is to secure the best health gain⁸ it can for its population, consistent with the resource available to it and the constraints of Government policy. DHBs are expected to balance the needs of their populations with the Government's expectations and the Ministry of Health, as the Minister's agent, monitors the effects of this complex task and reports to Ministers on relevant issues. Where possible the Ministry adds value by providing information and advice to DHBs.

To the extent that DHBs' priorities are a sub-set of the Government's priorities, the Ministry will have few concerns (recognising that with finite resources DHBs cannot make progress on all fronts simultaneously). Where DHB priorities are not well aligned with the Government's expectations, the Ministry will work with the respective DHBs to understand the issues they are facing with a view to either:

- assisting the DHB to better understand the Government's views and expectations

or

- feed back to Government any evidence that might argue for a re-ordering of priorities within its policy framework.

Notwithstanding the extent of devolved decision-making, major change such as the closure of services, require ministerial approval.

Efficiency and effectiveness of the accountability arrangements

In the past, concern was expressed by some DHBs that the accountability arrangements and documents, including the accountability and general reporting requirements, are onerous and excessive. As the DHBs work through the accountability arrangements for 2002/03 many of these concerns seem to have lessened, reflecting the fact that the DHBs:

- are now more accustomed to their roles as funders, rather than solely as providers
- recognise the efforts being made by the Ministry to streamline the accountability documentation.

Work to reduce unnecessary compliance costs continues, but Select Committees and the Office of the Auditor and Controller-General have consistently sought a level of monitoring that invariably involves reporting by DHBs with associated compliance costs.

⁸ DHBs have not been devolved responsibility for funding disability support services.

The existing performance indicators provide a snapshot of performance in key areas and act as a trigger for further investigation where expectations are not met. These accountability performance measures are, however, only one of a range of tools the Ministry uses to assess and manage DHB performance. This includes:

- evaluating the role of DHBs as providers of health and disability services using financial management tools and a balanced scorecard/ benchmarking approach. This includes some measures of service quality.
- routine monitoring of many elements of DHB performance. This covers access to services (utilising throughput measures); performance issues are managed via a relationship-based model through the DHBFP Account Managers.

In addition, “sector intelligence” contributes to the Ministry’s analysis and evaluation of DHB performance. This includes:

- information received by the Ministry from key sector agencies
- information provided to the Ministry’s Chief Advisors
- themes emerging from ministerial correspondence.

The Ministry’s monitoring framework does not explicitly examine the performance of providers of services (covering, for example, volumes of services delivered and service quality) funded by the DHBs, whether provided by DHBs themselves or third party providers. Monitoring and management of provider performance is a function of the DHBs as funder. The Ministry’s role in this area is to ensure that DHBs carry out these roles effectively.

There are two primary gaps in the Ministry’s arrangements for managing the performance of DHBs. The Ministry does not currently have a:

- review and audit programme in place to examine DHB performance beyond the scope of the routine monitoring arrangements. This is an enhancement planned 2002/03.
- formal evaluation process to compare performance across all functions across all DHBs (the balanced scorecard provides a mechanism for comparative evaluation of DHBs as providers). This is under development for 2002/03.

In addition, the Ministry believes that the existing package of accountability documents (DSP, DAP) can be further streamlined and refined to provide a more natural flow from high level and longer term goals and outcomes reflected in the DSPs to more action oriented DAPs which will signal more clearly DHBs short to medium term expectations. Such developments will enhance accountability and are programmed to take place during 2002/03 for implementation in 2003/04.

Further, the Operational Policy Framework will be updated to reflect the introduction of the population based funding formula for DHBs.

This work will be integrated with and supported by further development of the monitoring framework for DHBs and the use of techniques and tools (currently underway⁹) to more readily:

- identify emerging trends in DHB performance
- apply the lessons learned by better performing DHBs to those that will best benefit from those lessons.

These developments will be supported by the recent reconfiguration of the DHB Funding and Performance Directorate within the Ministry, which has now shifted its focus from supporting the transition to the new sector arrangements to ongoing sector monitoring, development and performance management.

Levers available to assist DHB performance

Publication of various Ministry performance reports can have a beneficial effect in securing DHBs' attention to issues of concern (it is of course preferable to be able to identify both a problem and an appropriate remedy). Benchmarking, monitoring and similar techniques also exercise some leverage on DHB performance.

In the event that the normal escalation processes (utilising discussions between individuals with equivalent levels of seniority within the Ministry and DHBs, and ultimately the Minister and the Chairperson) are not effective in addressing DHB performance, the Minister may, when appropriate:

- appoint a Crown monitor to assist a board to improve its performance¹⁰
- replace a board with a Commissioner¹¹
- remove a board member¹²
- remove the chair or deputy chair¹³
- issue a direction¹⁴ or vary the Crown Funding Agreement.

Conversely, well performing DHBs can, in principle, be provided with greater freedom to manage their own operations under reduced central oversight (this might involve less frequent reporting on Indicators of DHB Performance and other measures, freedom from financial "ring fences" and selection to trial innovations in health and disability service funding, planning and delivery). This approach provides public endorsement of the performance of the relevant DHBs and their key people.

⁹ In collaboration with The Treasury.

¹⁰ S 30, NZPHD Act

¹¹ S31, NZPHD Act

¹² C8, Schedule 3, NZPHD Act

¹³ C13, Schedule 3, NZPHD Act

¹⁴ S 32, NZPHD Act

The public in the accountability process

DHBs are established under the NZPHD Act and are accountable to the Minister of Health. DHBs are not accountable to the public, but the public election of the bulk of the board members does place communities in a position of influence.

The history of local electoral processes in health boards of various sorts has been the focus of debate in recent decades. Generally, the tension comes from local election vis-à-vis central government expectation as the funder. Although legislation clearly sets the DHBs accountabilities to the Minister, the role of communities in decision-making is also valued in the legislation through the consultation and electoral processes.

While members of the public do not have a formal role in the DHB accountability process, they do have a role in informing boards or the Ministers where they have concerns about DHB performance.

The Ministry makes its reports on DHB performance available to the public via its [website](#).

The public also has a role in relation to DHB performance and priorities more generally via the formal consultation processes required for health needs assessment¹⁵ and the setting of DHB directions via their DSPs¹⁶.

Reporting Requirements

Ministry of Health

(a) Health of New Zealanders

Under the Health Act 1956, the Director-General of Health is required to produce an annual report on the current state of the public health. The Health Act does not prescribe the content of the report and the Director-General has discretion in this area.

The report for 2001 was subtitled *The Health and Independence Report* and gave an overview of the health and disability sector. It broke the sector down into personal health, public health, mental health, disability support and Māori health. For each of these areas, the report analysed the resources used in each sector (primarily finance and workforce), the services delivered, and the health results that were achieved. The report for 2002 is still in the planning stages but it is anticipated that it will follow a similar format to the 2001 report.

¹⁵ S 38(3), NZPHD Act

¹⁶ S 38, NZPHD Act

(b) Service Performance

As a government department, the Ministry of Health must both forecast its service performance and report actual performance against forecast. Until 2002 the Ministry of Health had a system of quarterly monitoring, which assessed progress made within each quarter, and an annual summary report of performance against forecast.

In 2002, for the first time, the Ministry, along with a small number of other Government departments, has developed a Statement of Intent (SOI). The statement of intent process aims to improve management and results of the public service by encouraging a more outcome based reporting mechanism which takes a longer term view of departments activities. The Ministry is currently developing its Statement of Intent for 2003/04.

(c) International

New Zealand also participates in international benchmarking by the World Health Organisation (WHO) and, to a lesser extent, by the OECD.

WHO publishes an annual report – *The World Health Report* – which contains summary indicators including life expectancy, health adjusted life expectancy (HALE), and a variety of health expenditure figures. The Ministry of Health has input into some of these figures. In *The World Health Report 2000*, WHO put forward a framework for measuring the performance of health care systems and ranked countries according to a number of measures. This report was widely criticised and WHO is revising its methodology.

Minister of Health

The Minister of Health is required to produce a New Zealand Health Strategy (NZHS), with the purpose of providing *the framework for the Government's overall direction of the health sector in improving the health of people and communities....*¹⁷.

In addition, the Minister with responsibility for Disability Issues is required to produce a New Zealand Disability Strategy (NZDS).

The current [NZHS](#) was launched by the Minister of Health in December 2000 and was founded upon epidemiological evidence and the results of a large consultation exercise across the country. The NZHS forms the basis of the monitoring system that has been set up with DHBs as is described above. The NZHS has prioritised certain population health areas. Each of these areas is underpinned by a [Toolkit](#) that gives evidence based advice on how DHBs can achieve health gain in each of these priority areas. Indicators have been developed from the Toolkits some of which are included in accountability arrangements with DHBs.

¹⁷ S 8(1), NZPHD Act

An annual report must be produced by the Minister of Health on progress made towards implementing the NZHS. The first annual report, *Implementing the New Zealand Health Strategy 2001*, was produced in December 2001, and the second report is due for publication in December 2002.

Similarly, a report on progress towards the achievement of the NZDS must be produced by the Minister with responsibility for Disability Issues. The first report was developed by the Ministry of Health and covered the activities of ten government departments on implementing the disability strategy and was prepared by the Ministry. The report, *Progress in Implementing the New Zealand Disability Strategy: Report of the Minister for Disability Issues to the House of Representatives, 1 July to 30 September 2001*, was published in December 2001.

From 1 July 2002, the new Office for Disability Issues, located within the Ministry of Social Development, will lead the Government's implementation and monitoring of the NZDS. All government departments have to prepare annual plans to implement the disability strategy, and will be formally monitored against them by the new Office. The Ministry of Health will continue to be responsible for implementing the NZDS within the organisation and the wider health and disability support sector.