

**Submission
No 4**

**EXAMINATION OF THE AUDITOR GENERAL'S PERFORMANCE AUDIT
REPORTS JUNE - DECEMBER 2020**

Organisation: NSW Health
Date Received: 3 December 2021

Mr Greg Piper, MP
Chair, Public Accounts Committee
Legislative Assembly, Public Accounts Committee
Parliament of NSW
Macquarie Street, NSW 2000

Ref: H21/163424

NSW Health Submission to PAC – Auditor-General’s Performance Audit Report on Health – Capital Works

Dear Mr Piper

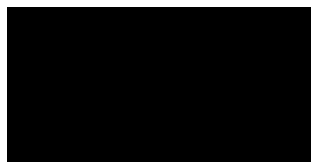
I refer to your letter of 11 August 2021 seeking NSW Health’s submission on the implementation status of the recommendations made in the Auditor-General’s report on *Health – Capital Works* as tabled on 12 August 2020.

The recommendations which were made in the report reflect the evolving nature of our capital planning model and a significant amount of work has been completed in the past 12 months to further enhance our performance in the specified areas. Key achievements in this time have included:

1. the 20-year Health Infrastructure Strategy Implementation Plan 2021-2024 has been published, forming an overarching framework to inform capital planning decisions;
2. a State-wide Investment and Prioritisation Framework has been issued to all NSW Health entities;
3. the NSW Health Facility Planning Guideline has been revised and reissued; and
4. further enhancements have been made to strengthen engagement between the Ministry and Health entities to clarify roles and responsibilities within the capital planning framework.

Further detail on these initiatives and on the additional work completed to implement each audit recommendation is provided in the attachment to this letter. Should you require additional information, please contact [REDACTED]

Yours sincerely



Elizabeth Koff
Secretary, NSW Health

Encl.

IMPLEMENTATION OF RECOMMENDATIONS

NSW Health – Capital Works

RECOMMENDATION	RESPONSE	ACTIONS TO BE TAKEN (AS INCLUDED IN THE ORIGINAL RESPONSE TO THE AUDIT)	DUE DATE	STATUS (Complete, partially complete, not commenced) AND COMMENTS WITH EVIDENCE ATTACHED	RESPONSIBILITY
By December 2020, the Ministry of Health should:					
1. establish effective arrangements to ensure the Health cluster's capital funds are used to deliver the greatest value for New South Wales by: <ul style="list-style-type: none"> commencing the implementation plan for the new 20-year Health Infrastructure Strategy and related Prioritisation Framework transparently detailing the basis of annual prioritisation decisions relating to NSW Health's forward capital planning effectively coordinating, screening, and aligning the capital priorities of Health cluster agencies with the new Strategy 	Accepted	<p>NSW Health will commence the implementation plan for the new 20-year Health Infrastructure Strategy and related Prioritisation Framework. NSW Health has developed a state-wide Investment and Prioritisation Framework. The Framework was issued to all health entities in late July 2020 to:</p> <ul style="list-style-type: none"> outline the basis for which Ministry will review and prioritise investment proposals in the 10-year Capital Investment Strategic Plan, and provide clear guidance on the types of investment proposals required to respond to the long-term health challenges facing the NSW health system. <p>NSW Health will inform the government through a reprofiled 10-year Capital Investment Plan based on investment</p>	Dec 2020	<p>STATUS: Partially Complete (some components have been completed, see below)</p> <p><u>Dot-points 1-3 - Complete</u> The 20-year Health Infrastructure Strategy Implementation Plan 2021-2024 was finalised in February 2021 and a summary document was made available to all NSW Health entities (Attachment A – Summary of 20-year HIS Implementation Plan).</p> <p>The NSW Health Capital Strategy Group (CSG) has responsibility for the overarching governance and oversight of the 20-year Health Infrastructure Strategy (HIS). Commencing in March 2021, the update of the 20-year HIS has been included as a standing agenda item for the bi-monthly CSG meetings.</p>	Strategic Reform and Planning Branch, Ministry of Health

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<ul style="list-style-type: none"> informing the government through advice on their alignment with state-wide directions for health infrastructure investment in the 20-year Strategy. 		proposals which align with the state-wide directions for health infrastructure investment in the 20-year Health Infrastructure Strategy.		<p>The State-wide Investment and Prioritisation Framework was first provided to Health entities in July 2020. Further guidance was provided to Health entities as part of the 2021 Capital Investment Planning meetings and the Ministry has supported Health entities in developing their investment proposals to ensure alignment with the Strategy (Attachment B – State-wide Investment and Prioritisation Framework).</p> <p><u>Dot-point 4 - Partially Complete.</u> The Ministry of Health will inform the government for the 2022-23 Budget process in November 2021 through a reprofiled 10-year Capital Investment Strategic Plan (CISP), which will include priority investment proposals from 2021 that align with the state-wide directions set out in the 20-Year Health Infrastructure Strategy.</p>	

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By September 2020, the Ministry of Health should:					
<p>2 work with Health Infrastructure and stakeholders to strengthen the Process of Facility Planning by:</p> <ul style="list-style-type: none"> reviewing the roles and responsibilities of all Health cluster agencies involved in developing business cases to assure they support rigorous consideration of the full range of feasible options including non-capital options developing guidance and an action plan to strengthen the sector's capability for transparently assessing alternative non-capital options aligned with the 20-year Health Infrastructure Strategy strengthening economic appraisals within business cases including assessments of the risks and benefits of all feasible options (including non-capital options), and compliance with relevant NSW Health and Treasury guidelines assuring that demand and capacity forecasts of Clinical 	Accepted	<p>NSW Health has revised the previous Process of Facility Planning Guideline to NSW Health Facility Planning Process (FPP). The Guideline was issued to all health entities in late July 2020. The FPP outlines the roles and responsibilities of all Health Cluster agencies involved in developing business cases.</p> <p>NSW Health has developed the state-wide Investment and Prioritisation Framework. The Framework was issued to all health entities in late July 2020 to provide clear guidance on the types of investment proposals including non-capital options required to respond to the long-term health challenges facing the NSW health system.</p> <p>Ministry of Health will work with Health Infrastructure to:</p> <ul style="list-style-type: none"> strengthen economic appraisals within business cases including assessment of the risks and benefits of all feasible options (including non-capital options) and comply with relevant NSW Health and Treasury guidelines, and ensure that the demand and capacity forecasts of Clinical Services Plans are accurately described in business cases supporting proposed capital solutions. 	Sept 2020	<p>STATUS: Partially Complete (some components have been completed, see below)</p> <p><u>Dot points 1-2 - Complete.</u></p> <p>The Ministry of Health has revised the previous Process of Facility Planning Guideline (now the Facility Planning Process) and provided this to all NSW Health entities in July 2020 and January 2021 (Attachment C – NSW Health Facility Planning Process).</p> <p>The State-wide Investment and Prioritisation Framework sets out the three strategic alignment tests against which investment proposals will be assessed. Consideration of non-capital options is aligned with the 20-year Health Infrastructure Strategy part of the criteria for Test 2: System and Service Transformation (Attachment B – Statewide Investment and Prioritisation Framework).</p> <p>An Investment Proposal Template has also been developed, which was issued to NSW Health entities in January 2021. The template requires entities to address the strategic alignment tests in the Framework and provide a summary of options considered, including non-capital solutions</p>	Strategic Reform and Planning Branch, Ministry of Health

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	Services Plans are accurately described in business cases supporting proposed capital solutions.				<p>(Attachment D – Capital Investment Proposal template).</p> <p><u>Dot-point 3 - Partially Complete.</u> The Ministry of Health and Health Infrastructure are working together to strengthen economic appraisals within business cases, including assessment of the risks and benefits of all feasible options (including non-capital options), as well as compliance with relevant NSW Health and Treasury guidelines.</p> <p>An updated supporting procedure will be developed from the above, and will form part of the updated 'Health Infrastructure Planning and Delivery Framework' (to be developed during 2021) that resolves the processes for Health Infrastructure to deliver projects in line with the 20-Year HIS, the Investment Prioritisation Framework and the Facility Planning Process. This work also has an interface with the implement of the NSW Asset Management Policy, which Health Infrastructure has a role in supporting.</p> <p><u>Dot-point 4 - Partially Complete.</u> The Ministry of Health and Health Infrastructure are working together to ensure that the demand and capacity forecasts of Clinical Services Plans are accurately described in business cases supporting proposed capital solutions.</p>	

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By September 2020, the Ministry of Health should:					
3 systematically monitor and publicly report (at least annually) on: <ul style="list-style-type: none"> the total amount of contingency funds controlled by NSW Health, and the amounts reallocated to individual projects and how compliance was achieved with Treasury policies on the use of contingency funds. all major new works initiated by NSW Health with an Estimated Total Cost of \$5.0 million or more, and how compliance was achieved with NSW Government requirements associated with Capital Expenditure Authorisation Limits for the approval of new works. 	Not accepted	<p>This recommendation is seen as duplication of existing structures which provide assurance on the highlighted areas and which have been established in agreement with key NSW Government stakeholders. Specifically:</p> <ul style="list-style-type: none"> NSW Health already has an effective arrangement for contingency management in line with Treasury Circular (NSW TC 14/29) Management of Contingency Provisions for Major Project and I NSW Contingency Management Guidebook (February 2014). The report does not recognise existing whole of government processes. NSW Treasury introduced Prime financial system in November 2016 to systematically monitor and manage Government Agencies' financial data. Recommendation is a request to duplicate an existing practice. 	Sept 2020	Recommendation not accepted as stated in the formal response to the audit.	Strategic Reform and Planning Branch, Ministry of Health
By September 2020, Health Infrastructure should:					
4. enhance its governance and project management systems by: <ul style="list-style-type: none"> developing a quality framework, and associated key performance indicators for the planning and delivery phases of all projects to 	Accepted	The enhancements to the governance and project management systems will be incorporated into the Health Infrastructure Corporate Plan for 2021-2023.	Sept 2020	<u>Partially Complete.</u> A high-level quality framework was developed by September 2020. The Health Infrastructure Corporate Strategy 2021-25 identifies the initiative "E.3.1 Develop and implement a Quality Management System and Assurance Framework that includes	Health Infrastructure

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	<p>support systematic monitoring and transparent reporting on:</p> <ul style="list-style-type: none"> the quality of developed business cases and economic appraisals based on their compliance with NSW Guidelines the effectiveness and efficiency of project management continuous improvement and the professional development of staff. 				<p>processes to support continuous improvement and meaningful capture of lessons learned.” (<i>Attachment E – Health Infrastructure Quality Management System Design¹</i>).</p> <p>Several detailed elements of this Quality Management System and Assurance Framework are being developed through 2021-2022. The Quality Management System and Assurance Framework will articulate how Health Infrastructure drives quality through its capital projects and other key business operations.</p> <p>Included within this (and as noted in item 2 above), the Ministry of Health and Health Infrastructure are working together to strengthen economic appraisals within business cases, including assessment of the risks and benefits of all feasible options (including non-capital options), as well as compliance with relevant NSW Health and NSW Treasury guidelines.</p> <p>In February 2021 Health Infrastructure published their Corporate Strategy 2021-2025, which further outlines a commitment to digitising project information which will enable clear reporting and make real-time data readily</p>	

¹ Please note that a management decision was made to defer accreditation and fulfilment of December 2020 deliverables due to several emergent factors including COVID-19 pandemic, realignment of HI’s organisational structure and requirement to align QMS with the updated MoH Facility Planning Process (FPP) through the subsequent initiation of HI’s FPP project.

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					accessible. <i>(Attachment F – HI Corporate Strategy 2021-2025, page 18, E.2.3).</i>	