Freedom of Information Publication Coversheet

The following information is provided pursuant to section 28 of the *Freedom of Information Act 2016*.

FOI Reference: CMTEDDFOI 2018-0243

Information to be published	Status
1. Access application	Published
2. Decision notice	Published
3. Documents and schedule	Published
4. Additional information identified	No
5. Fees	N/A
6. Processing time (in working days)	20
7. Decision made by Ombudsman	N/A
8. Additional information identified by Ombudsman	N/A
9. Decision made by ACAT	N/A
10. Additional information identified by ACAT	N/A

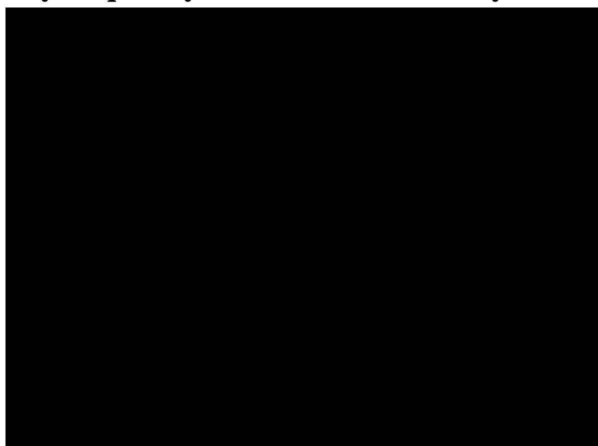
From:	
To:	CMTEDD FOI
Subject:	Freedom of Information request
Date:	Thursday, 13 September 2018 9:50:53 AM

Please find online enquiry details below. Please ensure this enquiry is responded to within fourteen working days.

Your details

All fields are optional, however an email address OR full postal address must be provided for us to process your request. An email address and telephone contact number will assist us to contact you quickly if we need to discuss your request.

Title:
First Name:
Last Name:
Business/Organisation:
Address:
Suburb:
Postcode:
State/Territory:
Phone/mobile:
Email address:



Request for information

(Please provide as much detail as possible, for example subject matter and relevant dates, and also provide details of documents that you are not interested in.)

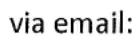
Under the Freedom of Information Act 2016 I want to access the following document/s (*required field):	Documents related to the restructure or separation of ACT Health dated from 1 July 2018 to 31 August 2018 and a report prepared by Robert Griew Nous Group on the governance of ACT Health
I do not want to access the following documents in relation to my request::	

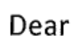
Thank you.
Freedom of Information Coordinator

ACT Government

Chief Minister, Treasury and Economic Development

Our ref: CMTEDDFOI 2018-0243

via email: 

Dear 

FREEDOM OF INFORMATION REQUEST

I refer to your application under section 30 of the *Freedom of Information Act 2016* (the Act), received by the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) on 13 September 2018, in which you sought access to "*documents related to the restructure or separation of ACT Health dated from 1 July 2018 to 31 August 2018 and a report prepared by Robert Griew Nous Group on the governance of ACT Health*".

Authority

I am an Information Officer appointed by the Director-General of CMTEDD under section 18 of the Act to deal with access applications made under Part 5 of the Act.

Timeframes

In accordance with section 40 of the Act, CMTEDD is required to provide a decision on your access application by 12 October 2018.

Decision on access

Searches were completed for relevant documents and 5 documents were identified that fall within the scope of your request.

I have included as **Attachment A** to this decision the schedule of relevant documents. This provides a description of each document that falls within the scope of your request and the access decision for each of those documents.

I have decided to grant full access to all relevant documents. The documents released to you are provided as **Attachment B** to this letter.

Additional Information

The brief provided at folios 9-13 is a draft which was drafted at the officer level very early in the process and was never endorsed nor did it proceed to signing by the Head of Service.

Charges

Pursuant to *Freedom of Information (Fees) Determination 2017 (No 2)* processing charges are not applicable for this request because the total number folio's to be released to you is below the charging threshold of 50 pages.

Online publishing – Disclosure Log

Under section 28 of the Act, CMTEDD maintains an online record of access applications called a disclosure log. Your original access application and my decision in response to your access application will be published in the CMTEDD disclosure log after 17 October 2018. Your personal contact details will not be published. You may view CMTEDD disclosure log at: https://www.cmtedd.act.gov.au/functions/foi/disclosure-log.

Ombudsman Review

My decision on your access request is a reviewable decision as identified in Schedule 3 of the Act. You have the right to seek Ombudsman review of this outcome under section 73 of the Act within 20 working days from the day that my decision is published in the CMTEDD disclosure log, or a longer period allowed by the Ombudsman.

If you wish to request a review of my decision you may write to the Ombudsman at:
The ACT Ombudsman
GPO Box 442
CANBERRA ACT 2601
Via email: actfoi@ombudsman.gov.au

ACT Civil and Administrative Tribunal (ACAT) Review

Under section 84 of the Act, if a decision is made under section 82(1) on an Ombudsman review, you may apply to the ACAT for review of the Ombudsman decision. Further information may be obtained from the ACAT at:

ACT Civil and Administrative Tribunal
Level 4, 1 Moore St
GPO Box 370
Canberra City ACT 2601
Telephone: (02) 6207 1740
http://www.acat.act.gov.au/

Should you have any queries in relation to your request please contact me by telephone on 6207 7754 or email CMTEDDFOI@act.gov.au

Yours sincerely,

Daniel Riley
Information Officer
Information Access Team
Chief Minister, Treasury and Economic Development Directorate

12 October 2018

ACT Government
Chief Minister, Treasury and Economic Development

FREEDOM OF INFORMATION REQUEST SCHEDULE

NAME	WHAT ARE THE PARAMETERS OF THE REQUEST	Reference NO.
[redacted]	Documents related to the restructure or separation of ACT Health dated from 1 July 2018 to 31 August 2018 and a report prepared by Robert Griew Nous Group on the governance of ACT Health	CMTEDDFOI2018-0243

Ref No	Page number	Description	Date	Status	Reason for Exemption	Online Release Status
1	1	Email – Health restructure AAs	3 Jul 2018	Full Release	N/A	Yes
2	2-8	Email – DGC18/957 with attachments	24 Aug 2018	Full Release	N/A	Yes
3	9-13	CMTEDD Internal Minute	31 Jul 2018	Full Release	N/A	Yes
4	14-49	New Health Governance Arrangement for the ACT	26 Aug 2018	Full Release	N/A	Yes
Total No of Docs						
4						

From: O'Leary, Catherina (Health)
Sent: Tuesday, 3 July 2018 10:37 AM
To: Engele, Sam
Subject: Health restructure AAs

Hi Sam

Leanne Power has suggested I contact you to discuss the process and requirements for developing the AAs for the Health restructure. Jarrah Robbins and I have been reviewing the relevant acts and considering the implications, but we would be keen to meet with you to discuss our thinking and any timing constraints.

I am happy to come out to you – are you available on Monday at all?
Regards
Catherina

Catherina O'Leary | Director Transition Office
Office of the Director-General | **ACT Health**
6 Bowes Street Woden
Ph 02 62075391 | **Mob** 0448 765 796
health.act.gov.au

Care ▲ Excellence ▲ Collaboration ▲ Integrity

From:	OLeary, Catherina (Health)
To:	Whitten, Meredith; Power, Leanne
Subject:	FW: DGC18/957 [DLM=Sensitive]
Date:	Friday, 24 August 2018 7:31:42 PM
Attachments:	HoS brief-Transition Staff Appointment Process_v2.docx Attachment A - Options for position allocation_v2.docx

Hi

I have amended the brief as discussed – it is with Michael for his review, but here is the latest version in case you had any further feedback.
Have a lovely weekend.

Regards
Catherina

TRANSITION

ACT Government Health

ATTACHMENT A

Staff Transition Process - options for allocation to positions

Purpose

To seek your feedback on the preferred option to transition staff to the two new organisations being formed through the ACT Health Transition Project.

Background

Transparent and accountable decision making will be key to the success of the transition process. One of the critical decisions regarding due process relates to the initial transfer of staff to positions across the two new organisations.

The initial focus for the transition is on the corporate, or policy, side of ACT Health, including the allocation of corporate resources to the operational health service organisation. Further changes to the operational health service organisation will commence once a new Chief Executive Officer has been appointed.

Principles

The following are the underpinning principles to be applied:

a. all existing permanent staff will be given priority for placement within the new structure in roles aligned to their skill set;

b. staff will be placed in permanent roles as far as possible - non-ongoing and temporary appointments will be minimised in favour of permanent appointments and increased organisational stability;

c. minimise disruption, anxiety and uncertainty for staff, clients and stakeholders; and

d. maximise transparency and accountability by having a procedurally fair and well communicated process.

Approach to Non-Executive Staff

The formation of two distinct organisations from the ACT Health Directorate means that that some of the existing functions within ACT Health will either move to the new organisation, or be restructured within the existing directorate. It is also likely that some functions will be required in both organisations to some extent. For example, finance and human resources capability will be required by both organisations, but the focus of the functions will vary from strategic to operational.

It is proposed that where complete business units remain intact, current staffing will be retained. This includes business units that are wholly moved from the ministry side of the organisation to the health service delivery organisation.

However, where business units are to be restructured or split across the two new organisations, a different process will need to apply. A number of non-SES roles will be affected and new roles may be required to be created. There are two potential options for non-SES staff transfer:

a) Direct matching, internal priority assessment and merit based selection
b) Preference round and merit based selection.

OPTION A (preferred option)

Direct Matching, Internal Priority Assessment and Merit Based Selection

The transfer of permanent staff to roles in the new structure will be undertaken through one of the following means:

Direct matching

- Staff in positions where there is a direct correlation to classification level and core duties will be directly transferred. This process will be applied where the exact number of positions is equal to current staffing.
- When a permanent employee has been matched to a new position at level, they will be transferred. Redeployment provisions contained in the Enterprise Agreements will not apply.
- Where there are more affected employees than vacant positions within a grade in the new structure, an internal priority assessment process will occur.

Preference Allocation Process

- Where direct transfer of affected staff is not applicable, staff will be asked to nominate their preference for identified vacant roles they would like to be considered for. A short written statement would be considered for priority assessment by the decision maker. Staff should have five working days to complete their documentation.

Merit based allocation/selection

- A merit based selection process will be undertaken to fill any permanent roles that remain unfilled following the direct transfer and preference allocation process. Staff should have five working days to complete their documentation.
- The merit selection process will be undertaken in two stages in quick succession:
    1. Internally across the Directorate, permanent staff only for transfer to positions at their substantive level;
    2. Externally, advertised through a competitive merit selection process.

Advantages of Option A	Disadvantages of Option A
• Direct matching allows for a faster process which will minimise disruption for staff and reduce anxiety levels. • More likely to maximise stability, due to limited positions having to undergo interview and appointment • Creates maximum opportunity for staff involvement • Likely to be supported by the unions and staff • Reduces risk of costs due to excess staff • Matches the redeployment and redundancy requirements in the Enterprise Agreements	• Potential for individuals to disengage with the process • May create expectations of voluntary redundancy

OPTION B

Preference Round and Merit Based Selection

The transfer of permanent staff to roles in the new structure will be undertaken through one of the following means:

Preference round

- All affected non-SES staff will be asked to nominate their preferences for the role they would like to be considered for.
- Staff will be asked to review the structure and the associated new position descriptions and to nominate their top three preferred teams at their substantive level. The emphasis here will be on minimising disruption by giving the current 'owner' of a matched role priority where it is one of their preferences.
- A short written statement would be considered for priority assessment by the decision maker. Staff should have five working days to complete their documentation.
- After the initial matching, a merit based selection process will be used to fill any roles that remain vacant.

Merit based allocation/selection

- A merit based selection process will be undertaken to fill any roles that remain unfilled following the preference allocation process, or where there are less positions than staff. Staff should have five working days to complete their documentation.
- The merit selection process will be undertaken in two stages in quick succession:
    1. Internally across the Directorate, permanent staff only, for transfers at their substantive level
    2. Externally, including non-permanent ACT Health staff.

Advantages of Option B	Disadvantages of Option B
• More staff choice and potentially greater buy in • Increased opportunity for staff to move within the organisation	• Potential for increased disruption if staff indicate preferences outside of their current work area • Likely to be a slower process than option A • Limited time to ensure contact is made with staff who are absent on long term leave, to provide them the opportunity to participate in the process • May lead to an increased number of excess staff and therefore cost.

For both options the following would be applied:

- Permanent employees will be given priority over temporary employees or those on higher duties, in order to maximise stability.
- Staff who are on higher duties, or are temporary employees, may be allowed to see through their current period of tenure depending on circumstances, but any contract extensions or new non-ongoing positions will require extensive consideration by the Transition Office before approval.
- Where possible, allocation or recruitment to senior manager and leadership positions will be undertaken first so they are in place to be involved in recruitment to lower level positions.
- The placement of all existing permanent staff within the new structure is a priority.
- Unions will be fully consulted on the chosen option prior to implementation.

Supporting staff and managers throughout the process

Staff will need to be supported throughout the process to ensure they are engaged, stress and anxiety is minimised and they are equipped to make the change. A program of leadership and development activities is being planned to support executives and managers to champion change, contribute to the process and to lead and support their staff. This has already commenced with two Executive workshops held.

Continuous and effective two way information and communication throughout the whole process is vital. A Transition Internal Communications Strategy has been drafted to support this process.

Support will be offered to staff who are required to nominate a preference for a role or undertake a merit selection process. This may include skills development activities such as resume writing and interview techniques. Counselling and support will also be available through the Employee Assistance Program.

Approach to Executive Staff

The following tables provides a breakdown of the current classification of ACT Health executives, and the end dates of these current contracts. There are 23 Executives, whose contracts expire on or before 31 January 2019.

The tables below include six 1.4 executives currently on short term contracts, which will expire on or before 31 January 2019; and the positions will be handed back to CMTEDD.

Classification	Number of Executives
4.3	1
3.3	2
2.3	1
2.2	19
1.4	18
1.3	1
1.2	1
Total	**43**

Contract End Date	Number of Executives
19 July 18 – 02 October 2018	10
31 January 2019	14
2020 and beyond	18
Vacancy	1
Total	**43**

The process for Executive Staff will be in line with the *Public Sector Management Act* and the ACTPS Director-General and Executive Handbook, and will follow similar principles outlined above for non-executive staff, considering the differing provisions of long term contracts made both pre and post the 1 September 2016 *Public Sector Management Act 1994* amendments, discussed below . No long term contracts will be terminated as part of the transition process.

Transition of Executive staff will be made in one of three ways:

1. No change

Where an Executive's job size, role and duties remain unchanged they will continue in their current position and contract.

2. Assignment

Where an Executive's duties will change as a result of the restructure, these changed arrangements may be handled by way of a change to the Statutory Employment Terms (SETs) contained in their executive contracts. Primarily these changes will be to the assigned functions and the name of the administrative unit in which the SES member is engaged. There will be no change made to remuneration or to the period for which the SES member is engaged. The Executive may be asked to nominate a preference of role.

Under section 80A of the PSM Act, the Head of Service may transfer an Executive to another position at the same level or assign the Executive to undertake other stated functions. The views of the

Executive will be taken into consideration before a decision is made to transfer or assign the Executive.

3. Merit Selection

If there are more Executives than available positions, a merit selection process will be undertaken in accordance with the Executive recruitment process. This process will initially be limited to current ACT Health Executives impacted by a change in role. If roles are not filled through this process, a second external recruitment round will be undertaken.
Executives who are unsuccessful in securing a role in the new structure may be assigned to a position in another Directorate, or their contract ceased in accordance with the contract provisions.
Where an Executive position is altered or a new position created, a process of job sizing may be required to allocate the appropriate classification.

CMTEDD INTERNAL MINUTE

ACT Government

Chief Minister, Treasury and Economic Development

Date	31 July 2018	TRIM No: DGC18/957 File No:
To	Head of Service	
From	Interim Director-General, ACT Health	
Subject	ACT Health Transition – staff appointment process	

Critical date and reason

1. 30 August to enable appropriate communication to staff about the process to be undertaken.

Recommendations

2. That you indicate your preferred option for the transition of staff as outlined at Attachment A.

***Kathy Leigh*.. / /**

OPTION A/OPTION B/PLEASE DISCUSS

Background

3. ACT Health is being reformed into two distinct organisations: one organisation with a focus on operational health services, and another with a focus on system stewardship, strategic policy and planning functions. The proposed date for implementation of the two new organisations is 1 October 2018.
4. The initial focus for the transition is on the corporate, or policy, side of ACT Health, including the allocation of corporate resources to the operational health service organisation. Further changes to the operational health service organisation will commence once a new Chief Executive Officer has been appointed.
5. Transparent and accountable decision making will be key to the success of the transition process. One of the critical decisions regarding due process relates to the initial transfer of staff to positions across the two new organisations.

Issues

6. The reforming of ACT Health into two distinct organisations means that some of the existing functions within the ACT Health Directorate will either move to the new organisation, or be restructured within the existing directorate. It is also likely that some functions will be required in both organisations to some extent. For example, finance and human resources capability will be required by both organisations, but the focus of the functions will vary from strategic to operational.
7. It is proposed that where complete business units remain intact, current staffing will be retained where possible. This includes business units that are wholly moved from the ministry side of the organisation to the health service delivery organisation.
8. However, where business units are to be restructured or split across the two new organisations, a different process will need to apply. Two potential options for non-SES staff reassignment and/or appointment are provided for your consideration at Attachment A.
9. The following are the underpinning principles to be applied:
   a. all existing permanent staff will be given priority for placement within the new structure in roles aligned to their skill set;
   b. staff will be placed in permanent roles as far as possible - non-ongoing and temporary appointments will be minimised in favour of permanent appointments and increased organisational stability;
   c. minimise disruption, anxiety and uncertainty for staff, clients and stakeholders; and
   d. maximise transparency and accountability by having a procedurally fair and well communicated process.
10. The process for Executive Staff will be in line with the *Public Sector Management Act* and follow similar principles. A process for the appointment of Executives can be found at Attachment A.

11. It has not yet been determined if staff will be required to physically move work locations. Further information on this will be provided once the structure for the two organisations has been scoped and finalised. However, due to staff accommodation shortages on The Canberra Hospital campus, it is likely that some corporate functions for the health service delivery organisation will remain located at Bowes Street, Woden.
12. In accordance with the MACHINERY OF GOVERNMENT AND MANAGEMENT INITIATED CHANGES Information Note issued May 2006, the allocation of staff to roles will not result on changes to their employment contracts or terms of employment.
13. The approach proposed builds on the approved process for allocating staff to positions at the University of Canberra Hospital.
14. The Transition Advisory Committee is a governance committee established to monitor and manage the progress of the transition to two organisations. The committee has reviewed the options outlined in Attachment A and recommends the adoption of Option A - Direct Matching, Internal Priority Assessment and Merit Based Selection

Voluntary Redundancy Process

15. ACT Health is committed to maintaining the government's commitment to preserving ACTPS employment. As a result, it is not proposed to offer a Directorate-wide voluntary redundancy process.
16. Some staff have already made contact with their manager and/or People and Culture regarding opportunities for a Voluntary Redundancy. Any such queries will be handled on a case by case basis, subject to authorisation by the Director-General. If voluntary redundancies are authorised, it is understood that this cost will be met internally within ACT Health.

Consultation

Internal

17. Under the Communication and Consultation clauses contained in the relevant Enterprise Agreements, the Head of Service and the Directorate is required to consult with staff and unions on any changes in work organisation or current work practices.
18. The Interim Director-General, ACT Health, has provided regular updates to staff on the transition via staff bulletins, face-to-face forums and a dedicated intranet page, but has not commenced a formal consultation period with the staff and unions at this stage.
19. Detailed consultations around the structure of the two organisations will be conducted through the Transition Office in the coming weeks and months. This will include focus groups for business areas that are most likely to be affected by the separation. Additional materials to inform and support staff with the transition process including any transfer processes will also be developed.

20. People and Culture have been consulted in the development of this approach. The Transition Office will continue to work with People and Culture to ensure regular consultation with unions and staff associations, including through attendance at Joint Consultative Committee meetings.
21. If there is any likelihood of positions being potentially or actually excess to requirements, a separate consultation process will be enacted in accordance with the Redeployment and Redundancy provisions of the Enterprise Agreements.

Cross Directorate

22. Advice and input from CMTEDD has been sought through the Commissioner for Public Administration (for input and advice on the options proposed in this brief). Shared Services, through the Executive Director, have been contacted for assistance with planning for finance and payroll activity. Taxation and Salary Packaging have provided initial advice on implications relating to Eligible Public Hospital and Ambulance (EPHA) salary packing.
23. Ongoing discussions will be held with the CMTEDD Public Sector Management group; for their advice on workplace relations and management of executive contracts.

External

24. Ms O'Leary from the Transition Office and Mr Griew from Nous Consulting have conducted a series of consultations with external stakeholders including key academic partners, non-government organisations, medical associations, unions, professional associations and the specialist medical colleges, regarding the governance processes for the new organisations.
25. Ms O'Leary continues to meet with unions and professional associations to provide updates and discuss issues relevant to the transition. An update was provided to the ACT Health Joint Consultative Committee (JCC) on 16 August 2018. The response from the attending unions was favourable; with the unions requesting notification of upcoming staff engagement activities so they can encourage members to take part in these processes.

Work Health and Safety

26. A people support and culture program is being developed to support staff through the transition process. This will include change management and resilience strategies. Further details of this program will be provided once finalised.

Financial

27. The reformation of ACT Health will be managed within the current funding envelope.

Risks/ Sensitivities

28. Anxiety surrounding the reassignment and appointment processes is likely to be high, particularly for staff whose units may be reallocated across the two organisations, are in non-ongoing positions, are on temporary transfer, or occupy positions with higher duty allowance. Mitigation strategies for these groups will be developed once the structure has been finalised and the impact for different groups and individuals can be assessed.
29. Some ACT Health staff currently have access to Eligible Public Hospital and Ambulance (EPHA) salary packaging benefits under the Fringe Benefits Tax Assessment Act 1986 (the Act). The forming of two organisations from the existing ACT Health Directorate will establish a new context in which the application of the ATO interpretation of the Act will need to be considered. Work is currently underway to determine the number and nature of this impact on staff. There is potential for this to become a considerable issue for placement of staff within the new organisations, as some staff may lose access to these benefits.
30. Current staff have also recently been advised that all permanent recruitment and non-ongoing recruitment past 30 November 2018, on the corporate side of the organisation only, now requires approval from the Transition Office before proceeding. This is considered a necessary measure to ensure that only essential functions are being filled and sufficient and appropriate roles will be available for all existing permanent staff under the new arrangements.
31. Developing a robust process for staff allocation will enable the transition to occur more smoothly, will minimise disruption and ensure procedural fairness. Once a process is agreed, this will be communicated to staff and their representatives to provide clarity, manage expectations and enable staff to adequately prepare.

Media

32. The creation of two health organisations will attract media attention.
33. A communication strategy has been developed and further proactive communications and media content will be developed as required.

____

Michael De'Ath

Interim Director-General, ACT Health

Action Officer: Catherina O'Leary, Director Transition Office

Phone: 75391

New health governance arrangements for the ACT

Chief Minister's Directorate, ACT

26 August 2018

nous

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1 Executive Summary

The ACT health system has come a long way. The population it serves has grown and it supports the health service needs of a wider catchment. Currently, ACT Health provides services for a catchment of approximately 400,000 people in the ACT and a total catchment twice that from the surrounding Southern NSW area. Canberra now has its own medical school.

The health system has relationships with three universities and a public Vocational Education and Training provider, training health professionals and engages in world class health research. It has a vibrant and extensive sector of non-government organisations (NGOs) that provide direct services, advocate on behalf of communities and patients and also include peak bodies contributing to policy development.

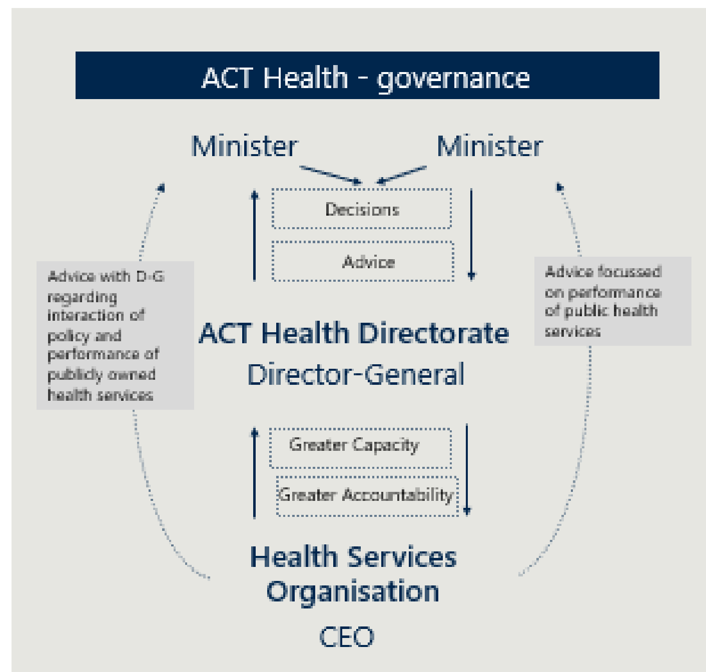
In recognition of this growing sophistication and delivery, the ACT Government has decided to make changes to the structure and governance of its health system. Consistent with the direction of reform in other jurisdictions, the Government has decided to separate into two new organisations: 1. The ACT Health Directorate; 2. The provider of publicly owned clinical health services in the ACT. The second of these two new organisations will be referred to in this paper as the Health Services Organisation.

The Government wants the Health Services Organisation to have both the capacity to run the ACT's publicly owned clinical health services and the clear accountability for doing so. It also wants the ACT Health Directorate to step-up to a role that ensures the effective and efficient operation of the whole health system, including all health providers. The Government also wants stronger preventive health and health promotion outcomes across the whole of the ACT community, in both their strategic and non-clinical service provision elements.

The Chief Minister's Directorate engaged Nous Group (Nous) to advise on the governance, roles, functions and relationships across this restructured system. The aim is to ensure the ACT learns from similar reforms in other jurisdictions and adopts an approach tailored for the unique needs of the Territory.

Nous adopted a three-phase approach to this engagement which included: 1. A review of arrangements in four other jurisdictions, to learn lessons from others' experiences; 2. A series of deep dive conversations with senior ACT public servants; and 3. Consultation with people from across the ACT health system including ACT Health staff.

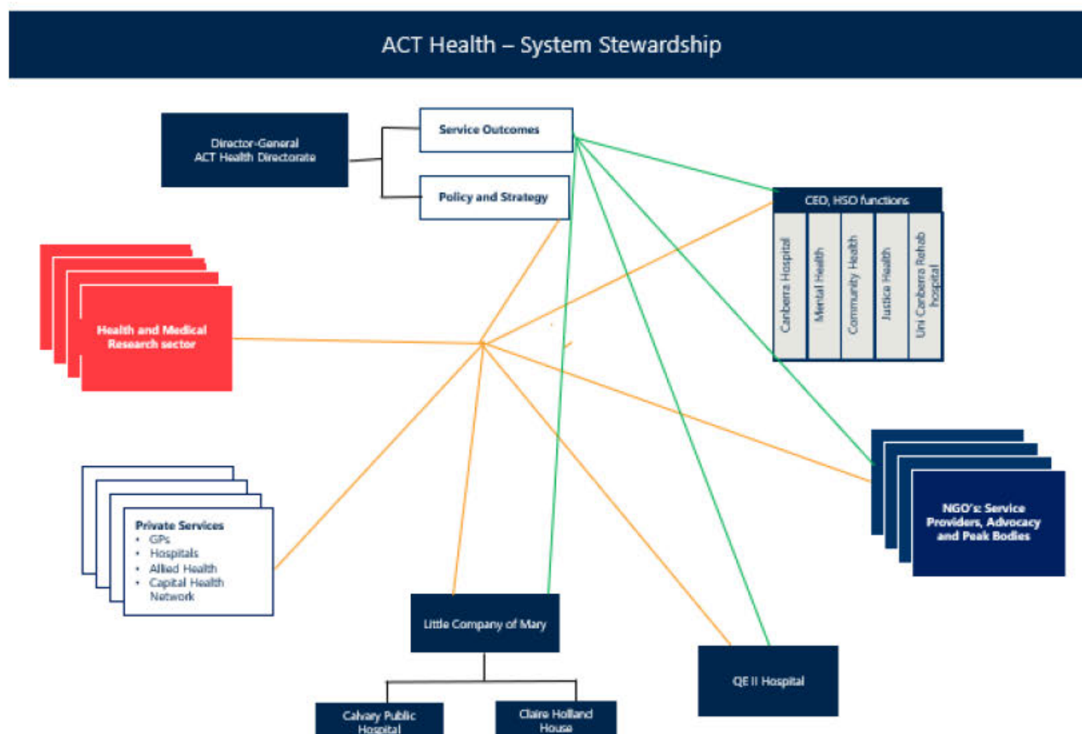
Three diagrams summarise our thinking arising from the work undertaken.



This diagram summarises the governance relationship between the Ministers, the Directorate and the new Health Services Organisation. It illustrates the role of the ACT Health Directorate as policy adviser to

Ministers and the greater capacity and accountability of the Health Services Organisation as a provider of publicly owned clinical health services in the ACT and its wider catchment.

The ACT Health Directorate will have a view and responsibility across the ACT health system, a role designed to drive collaboration from a whole of system perspective with a responsibility for outcomes, including for the health of the ACT population. The Health Services Organisation will focus on professional, quality, efficient and effective delivery of its clinical health services. On the interaction of policy advice and operation of the publicly owned clinical service system, the heads of both new organisations will work together to provide coherent advice to ministers.



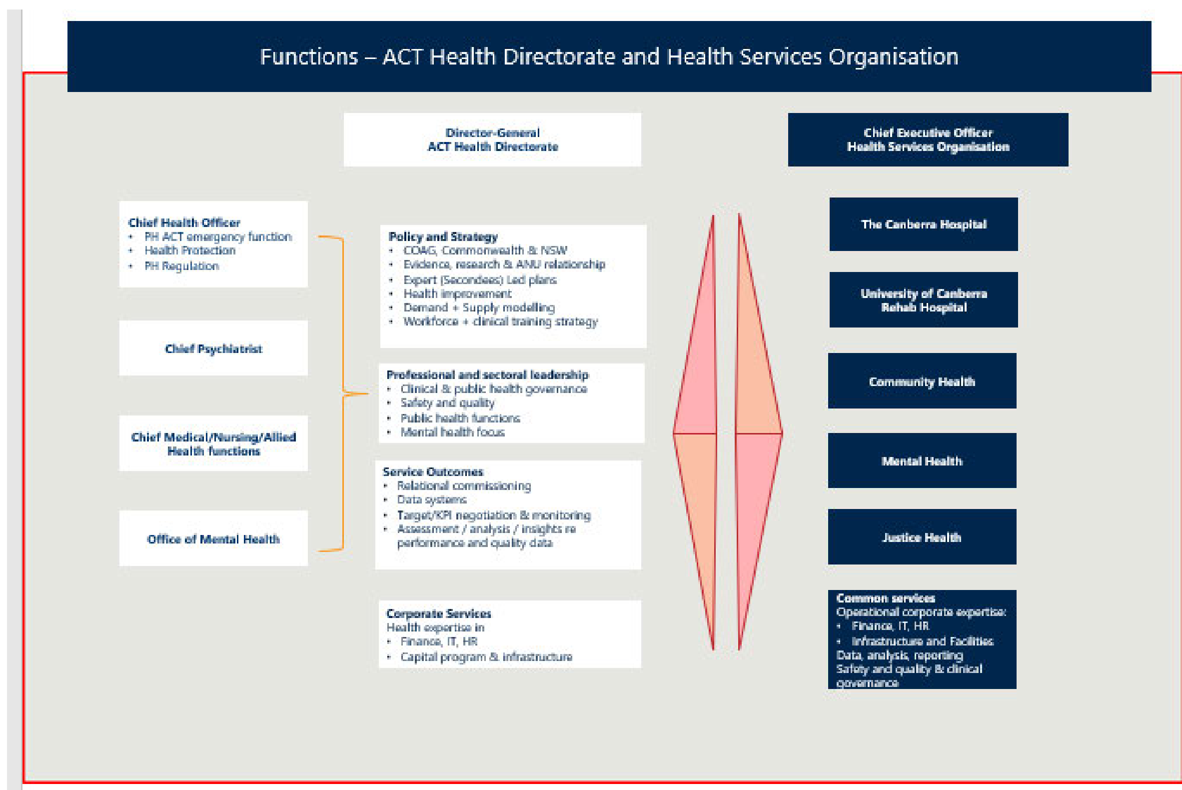
This diagram represents the dimensions of system stewardship, which is the core function of the ACT Health Directorate. There are a few points to be made.

First there are many players in the operation of the health system overall, some publicly owned by the ACT Government, some funded through ACT Health and some important players nonetheless. All are in fact connected to each other, sharing staff, patients and an interest in the health and health challenges of the ACT community.

Second the ACT Health Directorate has two kinds of lever indicated by the two-coloured lines.

The green lines indicate a set of relationships with all service providers that the ACT Health Directorate fund. These are bilateral relationships governed by Service Level Agreements. To deliver on this function the ACT Health Directorate will need exceptional analytic, health data and health system performance intelligence. This function will also need exceptional relationship management skills.

The yellow lines show the importance of leading clinicians, health professionals and other staff and stakeholders associated with services, in the formulation of policy and strategy for the ACT health system. The connection point in to the Directorate for this line is through the policy and strategy function, which supports the role of the ACT Health Directorate as the primary source of advice to ministers. The relationships are wider than just funded services and their people and are multilateral, not bilateral. The function of the ACT Health Directorate is significantly a convenorship role here, drawing on expertise and perspectives across the health sector in the ACT in the formulation of advice.



This diagram depicts the functions of the ACT Health Directorate and the new Health Services Organisation. This is not a proposed structure for either. It is a diagram representing the key functional responsibilities.

The CEO of the Health Services Organisation will have greater capacity, authority and accountability to administer the publicly owned clinical health services, including direct responsibility for ancillary and corporate service support necessary to efficiently and effectively run the services.

The ACT Health Directorate will need functions with similar titles and overlapping skillsets but focused on complementary levels of work – financial management skills to run and plan for a hospital or community health services versus strategic finance for the Directorate and system overall. Similarly, analysis and action on quality and safety issues in the health services versus system as a whole work on performance analysis and governance of quality and safety.

This will require the separation of existing units within the ACT Health Directorate.

Consultations

Following documentary review, in depth interviews and discussions with ACT public service leaders, Nous Group Principal Robert Griew conducted a series of consultations, in collaboration with the Head of the Transformation Unit in the ACT Health Directorate, Catherina O'Leary. These consultations included staff, managers, clinical leaders and other stakeholders.

The consultations largely supported the changes being made and highlighted particular areas of attention that will need to be paid during implementation. This includes the need to build capability, both in areas with new roles and in some areas, to provide a baseline of health expertise from which to move forward. A 'Consultation Report' provided at Appendix C summarises the main themes emerging from the consultations.

The consultation also underlined the importance of the Transition Team in the ACT Health Directorate, on detailed planning and communication regarding the milestones for 1 October and beyond and on the importance of proactive change management across the health system.

2 There is room to improve the ACT's current health governance structures

The ACT Health system has come a long way. The population it serves has grown and it supports the health service needs of a wider catchment. Currently, ACT Health provides services for a catchment of approximately 400,000 people in the ACT and a total catchment twice that from the surrounding Southern NSW area. Appendix A is a summary of data regarding the interaction of the Canberra health system with the NSW catchment.

Canberra now has its own medical school. The health system has relationships with three universities and a public Vocational Education and Training provider, training health professionals and engages in world class health research. It also has a significant non-government health sector and organisations representing consumers and specific communities of interest. These NGOs are engaged in direct health service provision, advocacy and there are also peak bodies for communities and groups of consumers.

This increased sophistication and a growing population places pressure on health services, so it is important to optimise health governance structures to serve the people of the ACT and patients who come from the surrounding region into the future. The ACT's unique characteristics shape health service delivery and set it apart from larger Australian jurisdictions. These include the following factors:

- notwithstanding growth and regional provision, Canberra is still in absolute terms a small, geographically concentrated population
- one large provider for most high-end health services – the Canberra Hospital
- contractual arrangements with a non-government provider of a northside public hospital – Little Company of Mary (Calvary Hospital).

These characteristics have important implications for health governance design.

Small, geographically concentrated population

Canberra's small population and geographical size sets it apart from the larger jurisdictions for several reasons. Firstly, this makes it difficult to achieve economies of scale in terms of health governance. Other jurisdictions use local health network boards across a larger service base. Canberra's smaller population requires a different approach.

Boards and other governance structures in other jurisdictions are designed to involve a community voice in service delivery across entire regions and large parts of our major cities, each with several large secondary and tertiary health services. In Canberra, the small population size limits the effectiveness of this approach, and the Minister, administrators and other key systems players already operate in close proximity to the Canberra community.

Single large tertiary hospital provider

The Canberra hospital has a critical role as the key provider of tertiary hospital services for the region. The Government aims to ensure that the new entity, the Health Services Organisation, is positioned to focus on the delivery of top quality tertiary hospital services, which will always be a focus for the city.

The aim is that this will allow the ACT Health Directorate to have a broader focus, on a range of health system stewardship responsibilities, including community-based services, prevention and health promotion.

Relationships with service providers

The contractual relationship between ACT Health and the Little Company of Mary is a further complicating factor. There is a risk of conflicts of interest between Canberra Hospital and Calvary Hospital, given the publicly owned health services' current structural connection to the Directorate.

The ACT Health Directorate needs some distance from the publicly owned health service, both to allow the health service to run itself and so it can fulfil its role as steward of the whole health system and promoter of positive health for the ACT community.

2.1 History of seeking the right balance of independence and centralisation

Like other Australian jurisdictions, governance of health services delivery in the ACT has moved over time on a centralisation/decentralisation spectrum.

In 1996, the ACT implemented a purchaser/provider model. This was in line with trends towards decentralisation both in other Australian jurisdictions and abroad. By separating the delivery of healthcare services from the underpinning strategy and policy apparatus, this model was designed to improve role clarity, increase efficiency and create clear accountability through competition.[1]

A 2002 review by Michael Reid and Associates was critical about the application of the purchaser/provider model in the ACT and recommended phasing it out. This remains the view in government. Although the ACT Government is moving to create more separation again in ACT health governance arrangements, it is not seeking a crude purchaser-provider model.

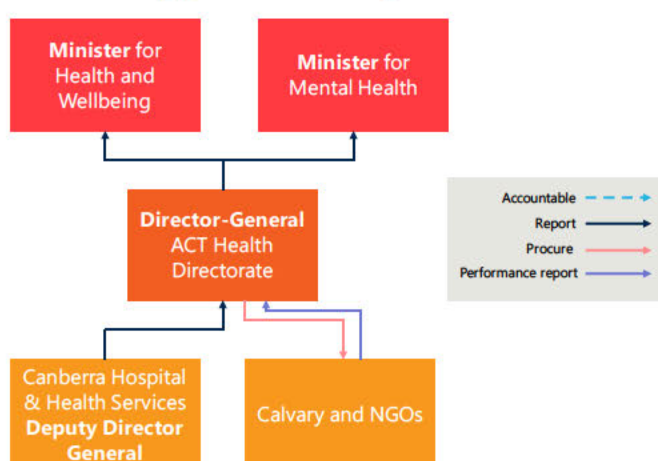
The next wave of national-level decentralisation was driven by the 2011 Council of Australian Governments (COAG) *National Health Reform Agreement* that required States to establish Local Hospital Networks (LHNs). According to the Agreement, these were designed to "decentralise public hospital management and increase local accountability to drive improvements in performance".[2] The ACT and the Northern Territory were exempted from this requirement, and instead obliged to "replicate the LHN general model so far as is practical" through parallel arrangements.[3]

The ACT Government established the ACT LHN Directorate and LHN Council in 2011. Under these arrangements, the ACT Government continued to manage system-wide public hospital service planning and performance, including the funding and provision of public hospital services and capital planning.[4] Currently, the ACT LHN Directorate is administered by the Director-General of the Health Directorate and supported by staff from the Health Directorate.[5]

2.2 Current ACT Structure and Governance

The ACT's health services delivery governance arrangements are the most centralised of the jurisdictions considered in this report (Figure 1). Canberra Hospital is the only major hospital which reports directly to a department of state.

Figure 1 | ACT health services delivery governance arrangements



[1] Michael Reid and Associates, *ACT Health Review* (2002), 5.
[2] Council of Australian Governments, *National Health Reform Agreement (2011)*, D2.
[3] Council of Australian Governments, *National Health Reform Agreement (2011)*, D28.
[4] ACT Local Hospital Network Council, *Annual Report to the ACT Minister for Health, 2012-13 Financial Year*, 4.
[5] ACT Government Health Directorate, *Annual Report 2016-17*, 365.

Table 1 | ACT role descriptions of key systems players[6]

Strategy and policy	ACT Health Directorate	Partners with the community and consumers for better health outcomes by: • delivering patient- and family-centred care • strengthening partnerships • promoting good health and wellbeing • improving access to appropriate health care, and • having robust safety and quality systems.[7]
	ACT Health Director-General	Leads the organisation in the delivery of its vision and its multiple roles.
Delivery	Canberra Hospital and Health Services Division	Provides acute, subacute, primary and community-based health services to the ACT and surrounding region through its key service divisions.
	Little Company of Mary	Provides public hospital services through Calvary Public Hospital – Bruce, under a contractual agreement with ACT Health.

Although we have shown the Canberra Hospital and Health Services as a separate box in Figure 1, it is in fact a part of the Directorate – a Division within it.

ACT Health's executive organisational chart comprises three divisions (Figure 2). The Canberra Hospital and Health Services Division is the largest and includes service delivery functions. The number of Deputy Directors General and Divisions was significantly greater than other ACT Government Directorates. An interim executive organisational structure has been put in place that reduces this number to three.

Figure 2 | ACT Health interim executive organisational chart

ACT high-level org chart

2.3 The ACT Government has decided to restructure ACT Health

The Government has decided to separate the system overview function of the Directorate from the delivery of publicly owned clinical health services in the ACT

The Government has decided to follow other jurisdictions in separating the strategic, system-wide functions from responsibility for the effective and efficient delivery of the publicly owned clinical health services, by splitting the two functions as separate Agencies under the Administrative Arrangements.

[6] ACT Government Health Directorate, *Annual Report 2016-17*, 33.

[7] ACT Government Health Directorate, *About Us* (9 March 2018). <http://health.act.gov.au/about-us>, accessed 14 May 2018.

In doing this, government is clear that it is not seeking to introduce a crude purchaser-provider structure, nor does it regard a system the size of the ACT health system as benefiting from independent and legislated Boards, for a publicly owned health services sector with only one major teaching hospital.

Instead the Government seeks:

- Greater capacity and accountability for effective and efficient clinical service provision on the part of the publicly owned health services. The name of this organisation will need to be settled. Canberra and Region Health Services had been suggested and was tested in our consultations. The possible name was very unpopular because of the ambiguity of the offer an ACT based public service can offer to the people of NSW. In this report we refer to the new organisation bringing together publicly owned clinical health services as the Health Services Organisation.
- A clearer system steward role for the Health Directorate on the health and operations of the whole health system, on non-acute, community, preventive and health promotion components of the system and on strategic advice to government. In some jurisdictions, this function is known as the Ministry of Health or the Department of Health.

3 Nous Group has been engaged to advise on governance arrangements

The Chief Minister's Directorate in the ACT engaged the Nous Group to provide advice on:

- How best to establish the governance arrangements for the ACT health system, encompassing two separate entities, the ACT Health Directorate and a Health Services Organisation (the entity delivering publicly owned clinical health services).
- Descriptions of the two new administrative units, to provide the basis of a notifiable instrument under S13(3) of the ACT Public Sector Management Act, 1994 (the Act).[8]
- The Director-General's functions which will be provided for under S19 of the Act, specifically S19(2) (b) and (c), viz, to manage the business of the administrative unit and any other functions given to the Director-General by the Minister responsible for the administrative unit or by the head of service.

3.1 There were three phases to our plan to develop advice on these questions

First, Nous researched the structural and governance arrangements in four other jurisdictions: NSW, Victoria, Queensland and Tasmania.

Second, we applied first principles thinking to the experiences of those States and in deep discussion with the Head of the ACT Public Service and the Acting Head of the ACT Health Directorate, seeking advice also from the ACT Solicitor-General and Under Treasurer.

Third, we consulted key health service groups over the last month.

[8] Relevant sections of the Act are extracted at Appendix 2.

4 Comparing across jurisdictions

We turn now to our survey of the high-level system operating in four other jurisdictions.

This review undertook a high-level analysis of the key jurisdictions to inform thinking about options for the ACT. The key features of these jurisdictions are summarised in Table 2.

Table 2 | Summary of key features of jurisdictions

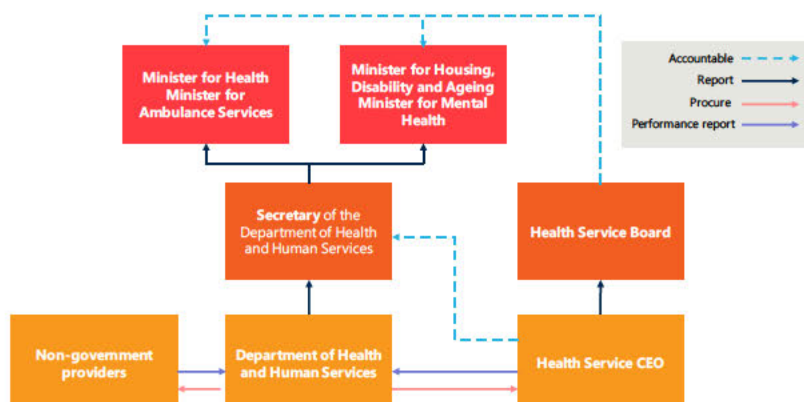
	ACT (current)	VIC	NSW	QLD	TAS
Separation between policy and delivery		✓	✓	✓	✓
Uses boards for LHN or equivalent		✓	✓	✓	
Department combines Health and Human services		✓			✓ (though changing)
LHN delivery entity is called...	Local Hospital Network Directorate	Health Service	Local Health Districts and Specialty Networks	Hospital and Health Service	Tasmanian Health Service

4.1 Victoria

The Victorian health system has the highest levels of devolved governance for healthcare delivery in Australia. The Victorian system is structured around Health Services, some of which represent a single hospital or network of hospitals. Each Health Service reports to a board which is appointed by the Governor-in-Council on recommendation of the Minister for Health. Health Services are at arm's length from government, have separate legal status and are not part of the Crown.[9] Health service delivery governance arrangements are summarised in Figure 3.

Funding for Health Services is appropriated by the Department and passes to the Health Services through the commissioning area of the Department. The Secretary has a set of reserve powers, to institute enquiries on specific issues or issue directives for specific Health Services.

Figure 3 | Victorian health services delivery governance arrangements



[9] Department of Health, *The Victorian health services governance handbook* (2013).

4.1.1 Role descriptions

Table 3 provides summary role descriptions of the key systems players in the Victorian health system.

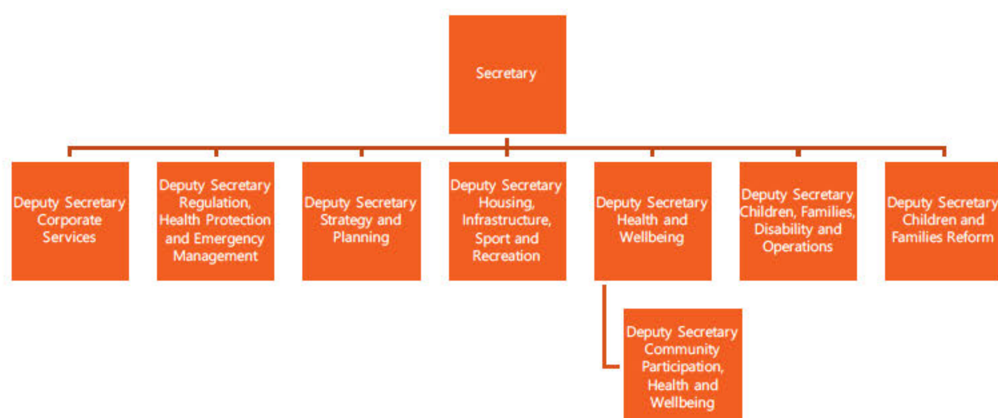
Table 3 | Victorian role descriptions of key systems players

	Player	Role
Policy and strategy	**Victorian Department of Health and Human Services**	Responsible for developing and delivering policies, programs and services that support the health, wellbeing and safety of all Victorians.[10]
	Secretary of the Victorian Department of Health and Human Services	Leads the Executive Board and is responsible for setting strategic direction and management of the department.[11] Also has a set of reserve powers to order reviews or issue directives for specific Health Services.
Delivery	**Health Service Boards**	Accountable to the Minister for Health for the service's performance. Each Health Service board steers its entity on behalf of the Minister and in accordance with government policy. Board members do not participate in the day-to-day management of the health service. Health Service boards: • govern health services • develop strategies • oversees financial and service performance • respond and adapt to challenges such as population and changing demographics • meet regulatory and government policy requirements and standards.[12]
	Health Service CEO	Appointed by and reports to the board. Responsible for the day-to-day management of the Health Service.

4.1.2 Department structures

Victoria has a joint Health and Human Services Department, with eight deputy secretaries reporting to the Secretary. Figure 4 summarises the executive-level structure of the Department.

Figure 4 | Victorian Department of Health and Human Services executive organisational chart



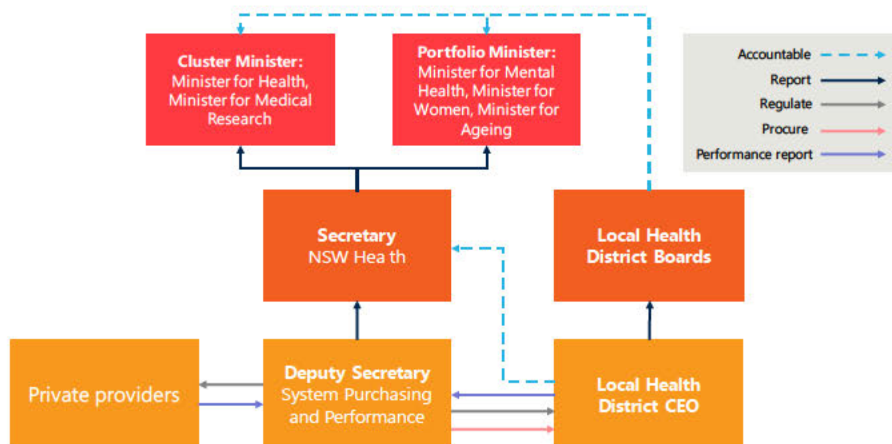
[10] Victorian Department of Health and Human Services, *Annual report 2016-17*, 7.
[11] Health and Human Services, *Our Secretary* (9 March 2018). < https://dhhs.vic.gov.au/our-secretary >, accessed 14 May 2018.
[12] Health Victoria, *About health service boards in Victoria* (9 March 2018). < https://www2.health.vic.gov.au/hospitals-and-health-services/boards-and-governance/about-health-boards>, accessed 14 May 2018.

4.2 New South Wales

The New South Wales health system provides services through a network of 15 Local Health Districts (LHDs) and two specialist networks. These are established as individual statutory corporations which are responsible for managing public hospitals and health institutions within define geographical areas. LHD board members and chairs are appointed by the Minister. The LHD Chief Executive Officer (CEO) is appointed by the LHD Board in concurrence with the Secretary of NSW Health.[13] These arrangements are summarised in Figure 5.

Funding for LHDs is appropriated by the Ministry and passes to the LHDs with oversight from the Chief Financial Officer and the Deputy Director General responsible for the accountability and performance of the LHDs. LHD CEOs have an accountability to the Secretary of NSW Health and meet in a first-tier governance committee with the Secretary and all other LHD CEOs.

Figure 5 | NSW health services delivery governance arrangements



[13] NSW Health, *Corporate Governance and Accountability Compendium (2018),* 1.2.4.

4.2.1 Role descriptions

Table 4 summarises the role descriptions for key systems players in NSW.

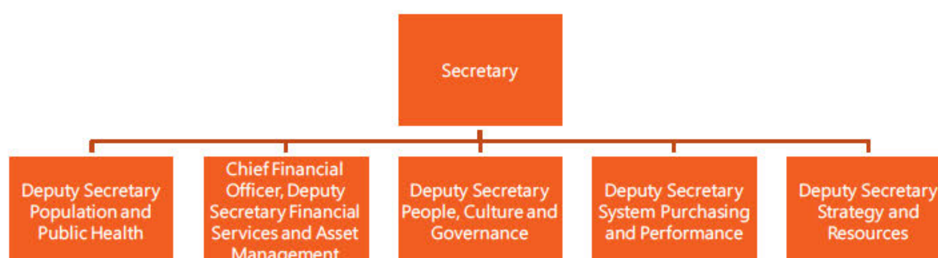
Table 4 | NSW role descriptions of key systems players

	Player	Role description
Policy and strategy	**NSW Ministry of Health**[14]	The NSW Ministry of Health supports the executive and statutory roles of the Health Cluster and Portfolio Ministers. The NSW Ministry of Health also has the role of 'system manager' in relation to the NSW public health system, which operates more than 230 public hospitals, as well as providing community health and other public health services, for the NSW community through a network of local health districts, specialty networks and non-government affiliated health organisations, known collectively as NSW Health. The Ministry of Health guides the development of services and investments in the NSW public health system to ensure that the health priorities of the Government's NSW are achieved for the community of NSW.
	Secretary, NSW Health[15]	The Secretary has overall responsibility for the management and oversight of NSW Health. The Secretary chairs key management meetings for the system including the NSW Health Senior Executive Forum and the Executive Leadership Team. The NSW Health Senior Executive Forum brings together Chief Executives from across the health system, while the Executive Leadership Team is a smaller group comprising of the NSW Ministry of Health Executive and Chief Executives from so called "pillar organisations". Both groups are critical in considering issues of health system-wide interest, including the NSW Health budget, development and implementation of health policy and monitoring of health system performance.
Delivery	**Local Health Districts and Specialty Networks**[16]	Each LHD Board or Specialty Health Network Board is responsible for establishing and oversighting an effective governance and risk management framework for the network, setting its strategic directions, ensuring high standards of professional and ethical conduct are maintained, involving providers and the community in decisions that affect them, monitoring the service delivery and financial performance of the network against its targets and holding the network chief executive accountable for their performance.

4.2.2 NSW Health structures

NSW Ministry of Health is led by a Secretary with five Deputy Secretary-level reports. Figure 6 summarises the executive-level structure of the Ministry.

Figure 6 | NSW Ministry of Health executive organisational chart



[14] NSW Health, *Our structure (November 2017)*, <http://www.health.nsw.gov.au/about/nswhealth/Pages/structure.aspx>, accessed 29 May 2018.

[15] NSW Health, *Our structure (November 2017)*, <http://www.health.nsw.gov.au/about/nswhealth/Pages/structure.aspx>, accessed 29 May 2018.

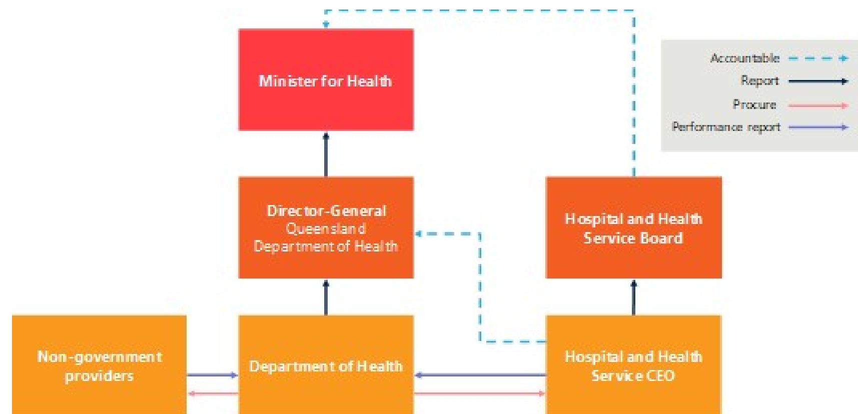
[16] NSW Health, *About local health district and specialty network boards (January 2017)*, <http://www.health.nsw.gov.au/lhd/boards/Pages/about-lhd-boards.aspx>, accessed 29 May 2018.

4.3 Queensland

Public health services in Queensland are provided through 16 Hospital and Health Services (HHS). These are statutory bodies, each governed by a Hospital and Health Board. Some public health services are also provided by private providers.[17]

The overall management of the public healthcare system is the responsibility of the Department of Health, through the Director-General. HHSs are responsible for the delivery of health services in their local area. The Department is responsible for purchasing services and ensuring the needs of the broader population are met, while the HHSs are responsible for local service delivery.[18] Figure 7 provides an overview of health services delivery governance arrangements. HHS funding is appropriated by Queensland Health and then allocated to HHSs.

Figure 7 | Queensland health services delivery governance arrangements



4.3.1 Role descriptions

Table 5 provides a provides summary role descriptions of the key systems players in the Queensland health system.

[17] Queensland Health, *Queensland Health organisational structure (15 December 2017)*, < https://www.health.qld.gov.au/system-governance/health-system/managing/org-structure>, accessed 29 May 2018
[18] Queensland Health, *Handbook for Queensland Hospital and Health Board Members (2016)*, 6.

Table 5 | Role descriptions of key players

Category	Key player	Role description
Policy and strategy	**Queensland Department of Health**	The Department of Health's role includes, but is not limited to: • Providing strategic leadership and direction for health through the development of policies, legislation and regulations • Developing state-wide plans for health services, workforce and major capital investment • Managing major capital works for public sector health service facilities • Purchasing health services • Supporting and monitoring the quality of health service delivery • Delivering specialised health services, providing ambulance, health information and communication technology and state-wide health support services.[19]
Policy and strategy	**Director-General**	The HHB Act outlines the functions and powers of the system manager with overall system management responsibility resting with the Department. This responsibility is discharged through the Director-General. The Department, as system manager, is responsible for sole management of the relationship with HHSs to ensure a single-point of accountability in the state for public hospital performance, performance management and planning.
Delivery	**Hospital and Health Boards (HHB)**	Responsible for providing strategic direction and leadership and ensuring HHS compliance with standards and legal requirements. HHBs have responsibility for decision making relating to: • the structure of their organisation • how services are delivered in their local area • providing performance data to the department • establishing systems which support monitoring of performance • entering into a service agreement with the Director-General.[20]
Delivery	**Hospital and Health Service (HHS) CEO**	Accountable for ensuring patient safety through the effective executive leadership and management of all hospital and health services, as well as any applicable support functions located within their HHS. Typical key accountabilities include: • supporting the HHB in developing and implementing a vision and strategy for the HHS and ensuring this is aligned to the Minister's letter outlining delivery priorities • establishing and leading a high quality executive team responsible for providing leadership and direction for all of the HHS's facilities and ensuring the delivery of effective, efficient and economical healthcare • ensuring ongoing development of the organisation and promoting a culture of learning, innovation, research and development • ensuring a strong culture of, and commitment to, safety and quality across the HHS to underpin health service delivery • ensuring risk, compliance and governance frameworks operate effectively across the HHS • providing strategic advice to the HHB to enhance decision making • ensuring resources are planned, allocated and evaluated to meet service agreement requirements • establishing a workforce vision, strategies and plans that reflect the workforce needs of the HHS • ensuring clinicians, consumers and the community are involved in health service planning and evaluation through the implementation of robust engagement strategies.

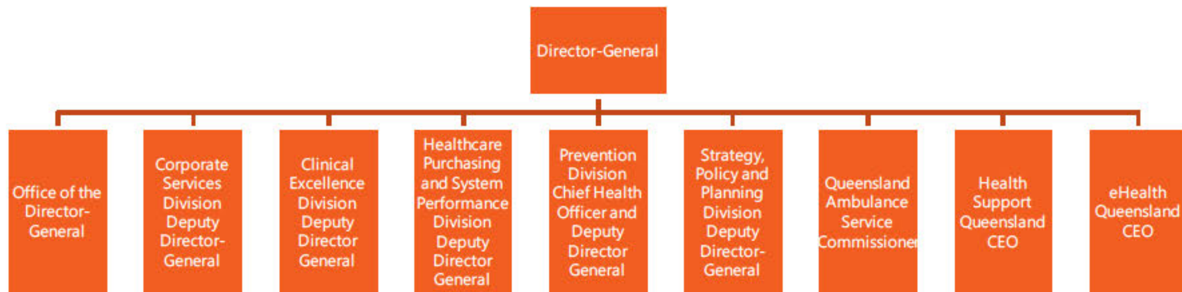
[19] Queensland Department of Health, *Department of Health Annual Report* 2016-17, 9.

[20] Queensland Health, *Handbook for Queensland Hospital and Health Board members* (2016), 12.

4.3.2 Department structures

The Queensland Department of Health is led by a Director-General. Beneath the Director-General are nine direct reports. Figure 8 summarises the Department's executive-level structure.

Figure 8 | Queensland Department of Health executive organisational chart

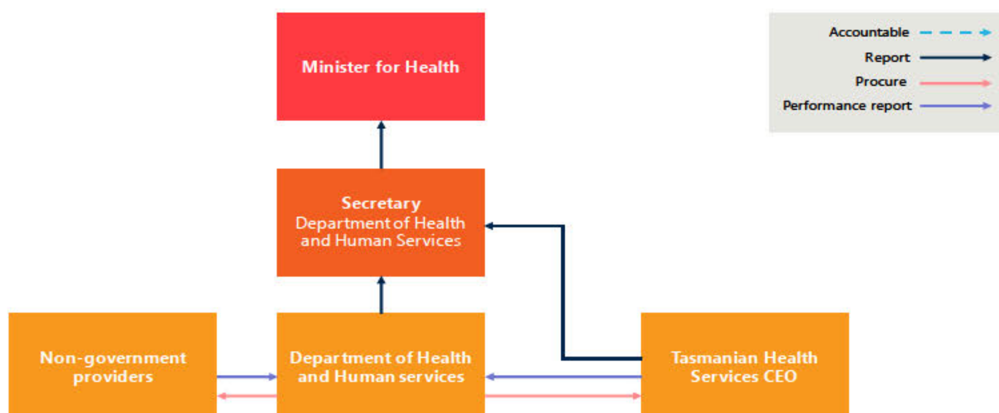


4.4 Tasmania

Tasmanian health services governance has undergone significant changes in recent years. As part of the *One Health System* reform program, in 2015 Tasmania consolidated its three Health Organisations (LHN-equivalent) into the Tasmanian Health Service (THS). Until recently, the THS was guided by a Governing Council which is appointed by the Minister for Health. Funding for THS is appropriated by the Department and passes to the THS through the Department.

In the last month, Tasmania has legislated to remove the Governing Council. THS continues as a separate organisation under legislation. Although the details of arrangements are still being finalised, there remains a separation between system stewardship and service operations, albeit that the head of the THS is now responsible to the Secretary of the Department rather than a Board for the performance of the THS.

Figure 9 | Tasmanian health services delivery governance arrangements



4.4.1 Role descriptions

Table 6 | Tasmanian role descriptions of key systems players, as we understand them at this point of development. This is a recent and still evolving reform.

Policy and strategy	**Tasmanian Department**	The Department has an important role as a steward and strategic partner in health services delivery as system manager. The roles and responsibilities of system management stretch across operational and departmental groups. System management's key elements include: • describing and enacting the strategic direction of the health services systems • monitoring and oversight of the health services systems • planning and purchasing of services • continuous improvement in the quality of care and service provision • performance management of service providers • intergovernmental relations • contract management • industrial relations, and • planning and purchasing of capital resources.[21]
	Secretary	The core elements of the Secretary role are: • principal portfolio adviser to their Ministers, Premier and the Government • Agency head • the custodian of an apolitical public service and the integrity of interactions between the Agency and implementation of policy and the political process and • leading and managing Commonwealth/State issues within the portfolio.
Delivery	**Tasmanian Health Service Executive**	The THS Executive is responsible for the administration and management of the THS.[22] The Executive is appointed by and responsible to the Secretary of the Department.

4.4.2 Department structures

The Tasmanian Department did comprise six Groups reporting to the Secretary. These too are changing however, as human service functions are being relocated within the Administrative arrangements of the Tasmanian government.

[21] Department of Health and Human Services, *Annual Report 2016-17*, 12.

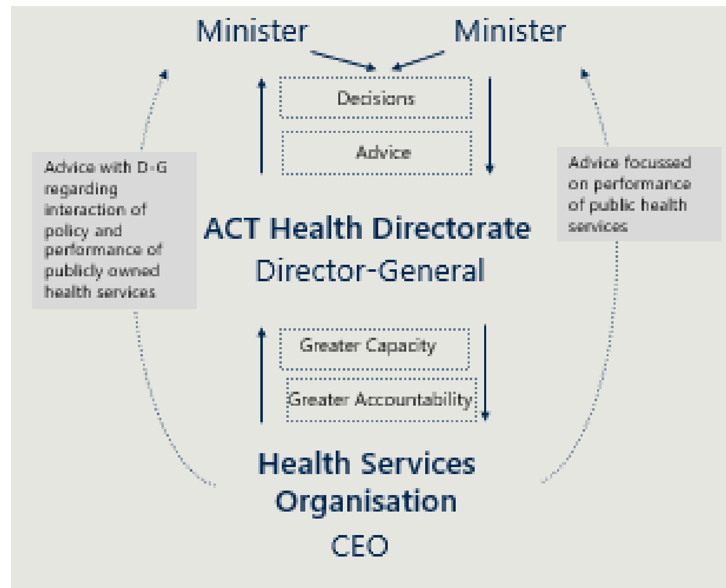
[22] Tasmanian Health Service Bill 2018 (Tas), clause 27.

5 Our advice

5.1 High level governance model

At the highest level, the diagram below outlines the governance relationship between the ACT Health Directorate and the Health Services Organisation.

Figure 10 | Model's Governance Relationships



Key features of the model are as follows. These will be reflected in the roles and functions prescribed for the heads of the two entities by the Health Minister and in a protocol between them. This protocol will need to be negotiated to the satisfaction of both Ministers and the Head of Service.

- The head of the ACT Health Directorate should be known as the Director-General and the head of the Health Services Organisation should be known as its CEO.
- The ACT Health Directorate will be the principal source of policy advice to the Ministers and the Ministers will issue decisions through the Director-General of the Directorate.
- The advice provided by the CEO of the Health Services Organisation to Ministers will relate to the performance of their Health Service. Advice from the Health Services Organisation CEO will be a key part of the material on which the Director-General will provide policy advice to the Ministers.
- On the interaction of policy advice and operation of the publicly owned clinical service system, the heads of both new organisations will work together to provide coherent advice to ministers.
- The CEO of the Health Services Organisation will be accountable for health service effectiveness, efficiency, quality and safety.
- The Health Services Organisation will receive their funding through the ACT Health Directorate, as do other health service providers, but the amount will be transparent and decided by government, on advice from the Director-General of the ACT Health Directorate.
- The CEO of the Health Services Organisation will provide policy and budget proposals to the Director-General. In the Budget process each year all bids will be provided to the Ministers, within the overall portfolio budget bid, with advice regarding priorities and provisions from the Director-General of the ACT Health Directorate.
- Funding to the Health Services Organisation will be provided via the ACT Health Directorate but will be transparent as a separate appropriation, being a specified appropriation provided via the Directorate.

- The Director-General will raise concerns regarding performance first with the CEO of the Health Services Organisation. If concerns persist the Director-General will have the responsibility, following consultation with the CEO, to provide advice with recommended actions, regarding health performance issues (such as clinical standards) to the Minister, or regarding personnel or financial management issues to the ACT Head of Service (as the employer of both the Director-General and the CEO).

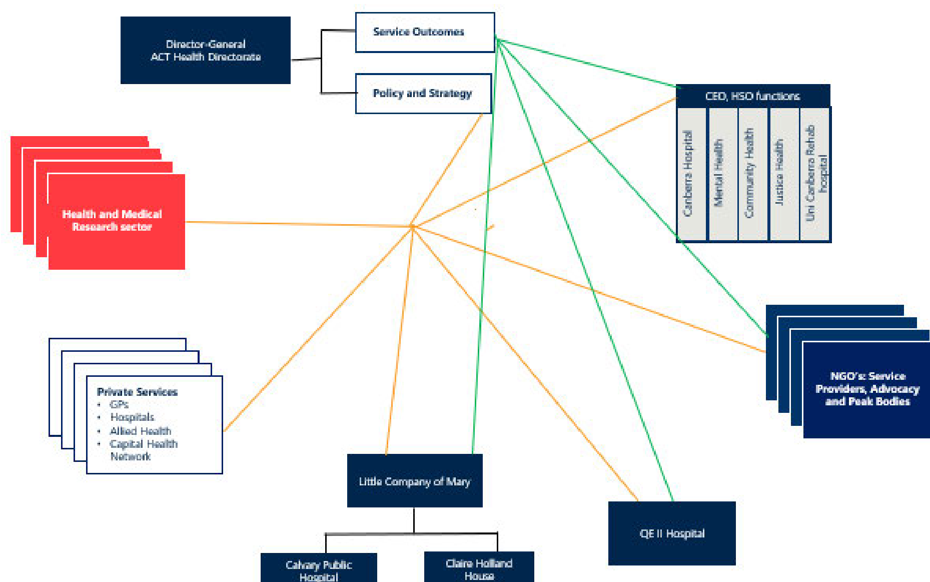
5.2 High level functional overview

Nous Group undertook high level design discussions re the functions of both the ACT Health Directorate and those of the new Health Services Organisation.

5.2.1 System stewardship functions

There are many players in the operation of the health system overall, some publicly owned by the ACT Government, some funded through ACT Health and some important players nonetheless. All are in fact connected to each other, sharing staff, patients and an interest in the health and health challenges of the ACT community.

Figure 11 | ACT Health – System Stewardship



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The green lines indicate a set of relationships with all service providers that the ACT Health Directorate fund. These are bilateral relationships governed by Service Level Agreements. To deliver on this function the ACT Health Directorate will need exceptional analytic, health data and health system performance intelligence. This function will also need exceptional relationship management skills

The yellow lines show the importance of leading clinicians, health professionals and other staff and stakeholders associated with services, in the formulation of policy and strategy for the ACT health system. The connection point in to the Directorate for this line is through the policy and strategy function, which supports the role of the ACT Health Directorate as the primary source of advice to ministers.

The relationships are wider than just funded services and their people and are multilateral, not bilateral. The function of the ACT Health Directorate is significantly a convenorship role here, drawing on expertise and perspectives across the health sector in the ACT in the formulation of advice.

There will also be several key whole of system governance committees that will be essential to make the system work overall. These fora will be needed to ensure a high level of whole of system strategy and

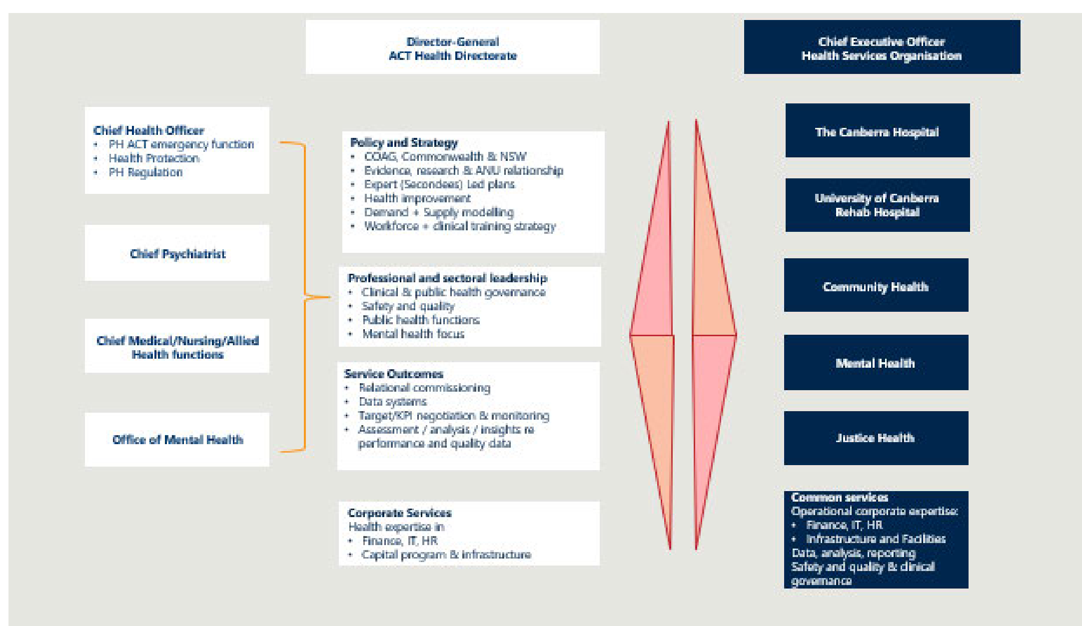
coordination which cannot be delivered by fiat from the ACT Health Directorate. Leaders from across services and advocates for patients, the community and the professions need to be able to work together to develop and gain a sense of ownership of these areas. Examples include:

- Service coordination across government and non-government providers, especially for patients with chronic conditions, probably co-convened by the Chief Medical Officer in the Directorate and the CEO of the Health Services Organisation.
- Clinical workforce planning, across all sectors, including public, private and non-government.
- Public health leadership network, including relevant clinical, community and research expertise, and to support public health emergency management.
- Standards, quality, accreditation of ACT services, with an emphasis on supporting clinician led quality processes and transparency re progress, risks, mitigations and accountabilities.
- Research and evidence, proactively engaging clinical leaders, the research community, advocacy groups and policy leads across the ACT Health Directorate.
- IT & systems, with a clear emphasis on supporting both service operations and data capture to support strategic planning and accountability.
- Capital and Infrastructure program planning.

5.2.2 Functional separation of the ACT Health Directorate and the Health Services Organisation

This diagram depicts the functions of the Health Directorate and the new Health Services Organisation. This is not a proposed structure for either. It is a diagram representing the key functional responsibilities.

Figure 12 | Functions - ACT Health Directorate & Health Services Organisation



The CEO of the Health Services Organisation will have greater capacity, authority and accountability to administer the publicly owned clinical health services, including direct responsibility for ancillary and corporate service support necessary to efficiently and effectively run the services.

The ACT Health Directorate will need functions with similar titles and overlapping skillsets but focused on complementary levels of work – financial management skills to run and plan for a hospital or community health services versus strategic finance for the Directorate and system overall. Similarly, analysis and action on quality and safety issues in the health services versus system as a whole work on performance analysis and governance of quality and safety.

This will require the separation of existing units within the ACT Health Directorate.

We turn now to more detailed analysis of each of the two new organisations and their heads in detail.

5.3 ACT Health Directorate

An overview of the functions and responsibilities of the ACT Health Directorate is provided below. The functions relate both to the parts of the health system directly funded by the ACT government and those funded from other sources. It also relates both to the parts of the health system owned by the ACT Government and those owned by private for profit and private not for profit organisations. The ACT Health Directorate has a system steward role for the ACT health system, as a whole.

Specific responsibilities of the ACT Health Directorate include:

Policy and Strategy

- Prepare, coordinate and, subject to clearance arrangements, provide policy advice to Ministers, on both portfolio specific and Territory wide policy questions
- Managing the relationship with COAG Health Ministers, the Commonwealth Health Department and other state and territory jurisdictions, especially NSW.
- Gathering evidence and supporting relevant research and relationship with health research functions at ACT based and other research institutes. Managing the relationships with the Australian National University, the University of Canberra and the Australian Catholic University.
- Developing plans for specific health needs in the ACT, including seconding experts from across health service providers, researchers and community members.
- Developing expert led plans and strategies for the development of population health in the ACT and the prevention of disease. Health promotion is aligned with the Chief Health Officer and the health protection function in several other jurisdictions, e.g. NSW, WA and Queensland. The inclination in the ACT at present is to align health promotion with the policy and strategy function, which is an option pursued in other jurisdictions. Our advice is to ensure, if this course is taken, that preventive health and health promotion is run by qualified public health personnel, probably a public health physician, as it is a technical not a generic area of policy.
- Modelling demand for, and supply of health services.
- Leading workforce and clinical training strategy, including relationships with the three universities, the Canberra Institute of Technology (CIT) and other training providers.

Funding and monitoring health service outcomes

- Developing and administering:
  - the commissioning system through which ACT health services receive funding from the ACT government
  - key performance indicators, targets and data systems to support these and thus the key function of performance monitoring of all funded health services
  - strategies for assuring / assessing / analysing / gaining insights re performance and quality data across the ACT health system.

Health professional/specialist leadership

- Chief Medical, Psychiatrist, Nursing & Midwifery and Allied Health leadership across the ACT health system.
- Chief Health Officer functions:
  - health aspects of emergency management, especially those related to public health legislation
  - health protection – communicable disease prevention and management, environmental health and food borne disease

    - public health regulation
- Coordinator General, Office for Mental Health and Wellbeing

Corporate services functions

Undertake corporate service functions to support the Directorate including:

- liaison with corporate areas of publicly owned health service providers to ensure accurate public accounts
- and likely capital & infrastructure program.

ACT Health Directorate - Director-General

The head of the ACT Health Directorate will be known as the Director-General of the ACT Health Directorate. He or she will be responsible for the administration of the purposes, functions and offices of the ACT Health Directorate, including administration of health legislation, and in addition, shall:

- Provide policy advice to Ministers under Administrative Arrangement Orders and legislative arrangements and be responsible for implementation of policy decisions.
- Be accountable for all other directions and responsibilities as per S19 of the PSM Act.

5.4 The Health Services Organisation

The purpose of Health Services Organisation is to provide high quality, efficient and effective clinical health services to residents and visitors to the ACT and to patients transferred to its care.

The scope of health services included in this administrative unit are health services owned by the ACT government.

Specific responsibilities of the Health Services Organisation include administration of the following ACT owned health services:

- The Canberra Hospital
- ACT Community Health
- Mental Health
- Justice Health
- University of Canberra Rehabilitation Hospital.

For each of these services the Health Services Organisation is responsible for:

- Efficient and effective administration of the services, including resource usage, personnel management, clinical standards, safety and quality issues.
- Negotiating a Service Level Agreement with the Directorate and reporting on resource usage, performance outcomes and KPIs under that Agreement to the Directorate.
- Administration of all essential health service support services.
- Data collection and analysis to support efficient and effective service planning, operations and reporting to the Directorate.
- Workforce planning and management, including relationship with health training providers in the ACT and beyond including the three universities, the Canberra Institute of Technology (CIT) and other training providers.
- Implementation of quality systems and reporting on quality to the Directorate.
- Contributing expert leadership, largely via secondments and part time commitments of clinical leaders and experts to specific health issues and plans in the Directorate.

Health Services Organisation CEO

The head of the new Administrative unit will be known as the Chief Executive Officer of Health Services Organisation. He or she will be responsible for the administration of the purposes, functions and offices of the unit, and in addition, shall:

- Executing operational powers to deliver the service as provided through legislation and administrative arrangements.
- Provide advice on all matters pertaining to performance of Health Services Organisation to the Director-General of the ACT Health Directorate and the Ministers, including working with the Director-General to provide coherent advice to Ministers on the interaction of policy issues and performance.
- Actively contribute to whole of system service coordination, including providing clinical experts to contribute to and lead specific health planning exercises.
- Be accountable for all other directions and responsibilities as per S19 of the Act.
- Be available to support the Director-General and ACT Health Directorate on policy and financing interactions with other jurisdictions, especially NSW and the Commonwealth.

5.5 Capability issues

In addition to roles, functions and relationships, there are a number of capabilities that need to be buttressed as discussed below.

5.5.1 The relational capability of the key personnel in the new arrangements

The Director-General of the ACT Health Directorate and the CEO of the Health Services Organisation will need executive experience, health knowledge (or ready access to expert advice), strategic and management skills. As important will be proven and top-level relationship, communication and collaboration skills. In a very real way their agencies and their individual destinies are inextricably linked.

As they administer their own specific functions, which will not always immediately align, it is crucial that each also has a clear and constructive relationship with the other. Both will need to have a strong commitment to effective relationships and collegial problem solving across the leadership of all parts of the health sector.

Where perspectives on policy and performance issues cannot be resolved, the Director-General and the CEO can involve the Head of Service, rather than relying solely on ministers.

Almost as important will be the relationship skills of key staff in the Service Outcomes function in the ACT Health Directorate, as they anchor the commissioning relationship not just with the Health Services Organisation but with all the service sectors.

5.5.2 Skills and frameworks for relational model of commissioning

The ACT tried and moved away from a purchaser-provider model of administering health services. The Government is not pursuing that model.

In other health systems where government has separated policy functions from provision functions, considerable thought has focussed on how to design the transaction between those two functions. This is to avoid the pitfalls of simplistic purchaser-provider models and to maximise system stewardship outcomes.

Consultations undertaken in this engagement highlighted the importance of, and need for, sophisticated strategies to promote a better "network effect", bringing health service providers across sectors and across the ACT together to focus on best patient care experience and most efficient care provision.

There are a number of reasons to separate policy and public sector delivery. In part because conflicts of interest between publicly owned and other service sectors are hard to manage without some separation.

But avoiding conflicts is not enough. Systems are needed that share risk and reward for collaborative behavior.[23]

Several useful articles can be found, for example on the Kings Fund website, reflecting serious effort on this challenge across the western world. The rough line of thought starts with the observation that the biggest challenges in the health system involve chronic conditions, especially when they overlap with social disadvantage – e.g. in mental health. We need providers to cooperate as much as to compete and to work across program siloes.

To avoid the pitfalls seen in other jurisdictions and apparently in the past in the ACT, the Service Outcomes function of the ACT Health Directorate needs to be tasked to aim for the most sophisticated models, which will reward risk and reward sharing and collaboration among different sectors and health service providers.

5.5.3 Capacity in the Health Services organisation

One of the ACT Government's key objectives in making this change is to give the Health Services Organisation sufficient capacity, and its CEO sufficient authority, to be able efficiently and effectively to administer its services.

There are currently a number of services and staff supporting the publicly owned services that are located in the current ACT Health Directorate. These are distinct from the high-level analysis capability needed to perform the Directorate's Service Outcomes function. They are also deeply informed by health service delivery knowledge but are focussed and aligned to support the granular operational finance, IT and HR requirements of health service delivery.

The Service Outcomes function in the ACT Health Directorate will need strong data analytics and financial analysis capability, staffed by people with strong background in health system financing. They will not do the same cost accounting that staff needed in the Health Services Organisation (or indeed other health service providers) will need. There will be people with similar qualifications and skills sets across both organisations, whose work is actually deeply complementary.

There are also essential support services, an example of which are sterilisation services, which report not to the current DDG of the Hospital and Health Service but to Corporate Services in the Directorate. A realignment of all such functions is essential to this new arrangement working.

5.5.4 Health professional knowledge to drive clinical governance and policy development

It is essential that health knowledge based in clinical, population health and research drive many aspects of thinking, planning and policy development across the health system in the ACT.

Options include secondments to, and part time work in, the ACT Health Directorate for leaders from the Health Services Organisation and other health providers. There is a facilitating role here for the chief professional officers: medical, public health (CHO), nursing and midwifery and allied health. Part of their mandate must be to draw in, and reach out to clinical, population health and research leaders across the system.

There are also functions in the ACT Health Directorate, including the health protection functions clustered around the Chief Health Officer and the preventive and health promotion strategies which also need public health technical leadership.

Chief professional leads (medical, nursing and midwifery, allied health and public health) also need to be included in top table discussions where professional knowledge and advocacy of the various professions viewpoints need to be heard.

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[23] https://www.kingsfund.org.uk/sites/default/files/media/linda-hutchinson-alliance-contracting-27.03.14_0.pdf https://www.kingsfund.org.uk/publications/commissioning-contracting-integrated-care/summary http://www.who.int/contracting/events/Synthesis_EN_WEB.pdf

5.5.5 A voice for communities and consumers

In larger jurisdictions, which have chosen to create Boards for their LHNs, Boards offer a voice for stakeholders who health services are not traditionally good at listening to.

There are good reasons why smaller jurisdictions have tended not to use Boards, as explained earlier in this report.

Nonetheless all health systems need greater involvement of consumers and communities providing feedback to health providers and to the system stewards – the ACT Health Directorate. The ACT Health Directorate's website currently profiles ways for consumers to be empowered in relation to their care (including self-responsibility messages and feedback sites).[24]

One option would be to create a consumer and communities engagement committee, to develop some of the same system capability. This was a consistent theme in consultations also, with the best option probably bringing together the Director-General, with CEOs of health services across the different sectors and voices of patients and communities in the ACT.

5.5.6 Capability building, transition planning and change management

In the consultations undertaken for the project, both internal and external stakeholders stressed the need for capability development, across many areas. Consultations covered in some detail specific components of the various functions which will need to be separated to ensure both the Health Directorate and the Health Services Organisation are able to do their jobs. In some areas, this involves an apparent duplication, for example, of finance, HR or data analyst staff. However, these functions are often specific and different, in fact deeply complementary. A detailed note of consultation outcomes is at Appendix C.

The point people made is that capability rebuilding needs are significant and will take time, even before some new skills can be developed to meet the more demanding arrangements being put in place. For example, greater use of financial and activity data will require people with health service experience in the Health Services Organisation and with sophisticated analytic capability in the Service Outcomes function in the ACT Health Directorate.

It is, therefore, vitally important that:

- Expectations are clear regarding what exactly will be achieved in transition to the new arrangements by 1 October and what will be the focus of further implementation, probably over a number of years.
- There are specific plans and accountabilities for the development and implementation of these development plans.
- Specific issues impacting on business as usual are identified and addressed. An issue raised in consultations was the lead time on any variations to NGO service contracts due for renewal in July 2019, which given lead times, require negotiation to start soon. Another was the management of supplier contract to essential corporate services, which need not to be disrupted through the transition.

There are in place, of course, transition and change management plans, which are the responsibility of the Transition Team. These plans will be further developed as a result of our consultations.

It is also mission critical to be explicit in requiring demonstrated leadership from all managers and leaders, both individually and collectively across ACT Health, to support the change agenda.

[24] http://health.act.gov.au/public-information/consumers/consumer-involvement

Appendix A ACT Health System interaction with NSW regional community

Currently, ACT Health provides services for a catchment of approximately 400,000 people in the ACT and a total catchment twice that from the surrounding Southern NSW area. This includes the Southern NSW Local Health District LGAs as defined by NSW Health (Bega Valley, Bombala, Cooma-Monaro, Eurobodalla, Goulburn, Mulwaree, Palerang, Queanbeyan, Snowy River, Upper Lachlan Shire, Yass Valley).

Total ACT admitted activity by regional grouping

Region Grouping	Separations	% Separations
ACT	90,563	84%
SNSWLHD	13,816	13%
NSW other	3,036	3%
Other	1,002	1%
Grand Total	108,417	100%

In 2017 ACT Health commissioned specialist health economics firm Paxton Partners to review the current mix and level of services provided to NSW patients. Their report highlighted:

- Over 90% of SNSW activity is acute admitted activity.
- 92% of patients from Southern NSW were treated at the Canberra Hospital consistent with the hospital's tertiary service profile.
- The majority of Southern NSW admissions (62%) were unplanned or emergency admissions.
- Patients from Southern NSW on average stayed longer than patients from the ACT, which is largely due to the higher acuity of the Southern NSW patients as well as delays experienced in patient retrieval by the NSW Ambulance Service who must prioritise urgent cases.

Additionally the Paxton report noted that:

- At any given time approximately 35% of medical oncology, haematology and radiation oncology inpatients at the Canberra Hospital are residents to Southern NSW.
- Over the past 3 years, Southern NSW residents have accounted for 31% of total occasions of service at the Canberra Region Cancer Centre.
- NSW client admissions to the Canberra Hospital paediatric ward average 30-40% of total admissions and have increased over the last 4 years.

The majority of cross-border referrals are from Queanbeyan (35%) and Bega Valley (23%) residents.

Appendix B Public Sector Management Act 1994

13 Administrative units

(1) The Chief Minister may establish administrative units.

(2) An administrative unit is made up of the offices within the administrative unit.

(3) An instrument under subsection (1) is a notifiable instrument.

Note A notifiable instrument must be notified under the Legislation Act.

19 Directors-general functions

(1) A director-general is—

(a) responsible for leadership of an administrative unit and leadership in the service; and

(b) answerable to the Minister responsible for the administrative unit and to the head of service.

Note A director-general is engaged by the head of service under section 31 (2).

(2) A director-general has the following functions in relation to the director-general's administrative unit:

(a) to provide advice and reports to the Minister responsible for the administrative unit and the head of service on matters relating to the administrative unit;

(b) to manage the business of the administrative unit;

(c) any other function given to the director-general—

(i) by the Minister responsible for the administrative unit; or

(ii) by the head of service; or

(iii) under this Act or another territory law;

(d) to exercise a function mentioned in paragraphs (a) to (c) taking into account the responsibilities of the government as a whole, including by collaborating with other directors-general.

Note 1 ***Function*** includes authority, duty and power (see Legislation Act, dict, pt 1).

Note 2 A provision of a law that gives an entity (including a person) a function also gives the entity powers necessary and convenient to exercise the function (see Legislation Act, s 196 and dict, pt 1, def ***entity***).

(3) A director-general has the following leadership functions:

(a) to provide advice to the head of service about the development and coordination of whole-of-government strategies;

(b) to lead the implementation of whole-of-government strategies;

(c) to implement, at the direction of the head of service—

(i) strategies for the administration of the service; and

(ii) responses to critical or potentially critical issues;

(d) to work efficiently, effectively and constructively with other directors-general to ensure a whole-of-government focus and promote cooperation and collegiality within and between administrative units;

(e) to promote and uphold in the service the public sector values, the public sector principles and the conduct required of a public servant, including by personal example;

(f) any other function given to the director-general by—

(i) the Minister responsible for the administrative unit; or

(ii) the head of service.

Appendix C Consultation Report

Following documentary review, in depth interviews and discussions with ACT public service leaders, Nous Group Principal Robert Griew conducted a series of consultations, in collaboration with the Head of the Transformation Unit in the ACT Health Directorate, Catherina O'Leary. These consultations included staff, managers, clinical leaders and other stakeholders. Participants were offered a two page summary of the Interim Report submitted by Nous Group.

Consultations covered, without being limited to, the following questions:

1. What are the strengths and risks in the new arrangement, in general and for the part of the system you work in or relate to?
2. Does the possible title Canberra and Region Health Services work for the new publicly owned health services organisation?
3. Do the relationships described in the diagrams above effectively describe optimal arrangements?
4. What are some of the opportunities we need to take to keep improving performance, for example, in terms of the functions put together in the new arrangements and in terms of communication?
5. What are the most important skills and capabilities for the Directorate and Health Services Organisation to acquire, develop further or refine to make the new arrangements work?

Who we consulted:

- Senior leaders in clinical, policy and administrative streams
- Two large staff fora, including Health Directorate and Hospital and Health Services staff
- Staff unions
- Medical colleges
- Representatives of the non-government sector, including service providers, advocacy and peak bodies from within the health sector and across other sectors.

1. General comment on decision to separate:

In several of the consultations there was some initial questioning of the rationale for the separation of a strategy and stewardship role for the Health Directorate from a government owned health services provider organisation. In all the consultations, though probably not for all individuals within them, this dissipated with some discussion.

The Interim paper explained the change in terms of the increase in size and complexity of the ACT Health system and the fact that all other jurisdictions have some form of an operational / system steward split. By itself, this did not convince people in the consultations. However, when they reflected on their own analysis of problems ACT Health has been confronting most could see a case for the change. IE most could see how, properly implemented, a separation of the Directorate from a Health Service could address their own pressing concerns.

This suggests that it is important in dealings (especially with staff) to explain more concretely the gains from focussed attention on the two roles. Examples of the current challenges raised include the following. It is worth noting, this was not in answer to question being asked. People volunteered their own critique and analysis of current performance.

- The CEO, plus Executive Group, responsible for the Health Service function needs to have direct responsibility for a range of corporate elements essential to running health services. Examples of services they do not currently have sufficiently within their services include quality and safety, clinical governance, core facility services (such as sterilisation services), the components of HR & Finance services core to service operations.
- The policy, strategy, commissioning function, especially a whole of government and whole of Territory Health perspective has not, in the view of several people we consulted, been functioning optimally. Staff and managers who should be focussing on this have been overly drawn into issues in one part of the publicly owned health service, the Hospital. National priorities, such as participation in AHMAC committees, needs more focussed intellectual concentration.

- Participants could see a significant gain in a stronger focus on whole of government issues, including for example dealing with the "social determinants of health", for example, in collaboration with the Education & Housing Directorates or with all the other agencies engaged in key cross cutting areas, such as children at risk.
- Several people criticised what they believe has been an ineffective accretion of functions, resources and senior positions to the centre, not always matched by either the sophistication or stability of staff in those areas to provide a stable and clear direction for the system, especially operational areas.

Participants also raised a number of specific questions about the general question of the change. These included the following.

- *The Board question*: There was general agreement that it is not realistic to have Boards in small jurisdiction. Nonetheless, this potentially denies the ACT the benefit of a patient, community and advocacy voice in health governance. There was discussion of options across the consultations. Models for consumer, community and advocacy voice could include:
  - Some form of community advisory committee for the new health service;
  - Some form of community advisory committee for the ACT Health system as a whole; or
  - A quasi-governance mechanism, with senior whole of government members (e.g. DDGs from Treasury or Community Services, as well as community members).
- Our advice on these options would be that the two organisations already sit within a defined public sector governance framework so a shadow Board with other senior public servants on it could be quite problematic. It is also hard to see how a community advisory body specifically for the Health Service organisation does not end up as a quasi-Board, at least in the public eye.
- There could, however, be some significant gain from a forum, probably convened by the Director-General of the Directorate, with CEOs from health service providers (including the new public one) meeting with community, advocacy and patient representatives.
- There is also a related, important point in this area, which is to acknowledge, better than the two-page summary of our Interim Report did, the diversity of roles of NGOs, including clinical service provision, advocacy (both as a service for individuals and on a systemic level) and as peak voices for particular sectors. The NGO sector is not reducible to service provision.

- *Creation of a network across public, private and non-government services:* There was confusion on the part of some staff as to why other sector health services are not included in the new Health Service provider, alongside the publicly owned service providers? This was related by some to the fact that some services provided by the Little Company of Mary (LCM) and NGOs are designated public services. It also arose from staff who have been aware of tense relationships over years between the Directorate, public services and the LCM.
- One answer to this question is straightforward. It is not sound public administration to have the publicly owned beneficiary of government funding controlling funding to non-government competitors.
- While this answer is accepted by almost all who raise this question, there is, however, an underlying concern. This is the need for an improved network effect across all services, with patient journey, convenience and system efficiency being central to the functioning of this network.
- The point was made that the most cost-effective solutions and best patient journeys are often across the public-private divide and are currently lost due to poor relationship. The change proposed can help address that but only with deliberate effort to create a network effect. This will require:
  - Leadership from the Director-General of the ACT Health Directorate, the CEO of the publicly owned health services and other health service leaders,
  - Probably some cross-cutting governance mechanism, likely convened by the Chief Medical Officer in concert with senior clinicians across all sectors, plus CEOs of the various health services and
  - Very sophisticated commissioning strategies, which reward risk sharing, patient centred coordination and pursuit of system efficiency (not just individual service cost control).

- *The name of the new publicly owned health service*: We were asked to test the possible name for the publicly owned health service, Canberra and Region Health Services. No one supported the inclusion of the term "Region" in the name. This is because people are very worried about setting up some expectation that the ACT health system can guarantee, or is responsible, for what happens in Southern NSW. The most interesting conversation provoked was a group of senior clinical leaders asking if it could be possible for the ACT Government to open a dialogue with the NSW Government regarding better collaboration and common policies and protocols across the common catchment area.
- Notwithstanding this, the weight of opinion is toward either keeping the Canberra Hospital and Health Service name or some slight revision, perhaps to acknowledge more centrally the importance of community health. There are some who feel the Hospital and Health Service name implies invisibility for community health. It is likely it is not just the name that evokes this reaction but wider historical issues.
- In finalising this Report, therefore, we have used Health Services Organisation as the descriptor publicly owned health services to avoid pre-empting the choice of a name.
- *The Commissioning role*: All who raised it agreed that funding should flow to the Health Service through the ministry function and that there should be a strong and high functioning commissioning function to run this aspect of the relationship with all service providers – public, private and NGO.
- This will require entirely new level of skill and different approach in the Health Directorate. From different perspectives, stakeholders wanted to be assured that the commissioning role cannot just be a "crude purchaser-provider" function. Sophisticated, health evidenced, analytics are required, as well as top level relational capability.
- There is support for a focus on risk sharing and whole of system efficiency being built into performance incentives for all service providers, given comments raised above about the importance of creating a stronger network effect across all health service providers in the ACT.
- There is concern from the NGOs and policy staff that policy areas, who have traditionally been the go-to and anchor for sectoral organisations, not being side-lined in the new organisational structure. Success will look like a three-way relationship, between service providers, with both the relevant policy areas and the commissioning part of the new Directorate.
- To distinguish the commissioning relationships from the policy input and advising relationships, the second diagram in the two-page discussion starter paper used a solid line to denote the commissioning relationships and a dotted line to denote the advisory ones. NGOs accepted the distinction but were keen to make the point that the two kinds of relationship are equally important. I will make the lines different, solid colours in the final version.

  Relationship with Government: There was frank conversation about the need to be clear who is the policy advising voice to government, i.e. to avoid both the Health Service organisation and the Health Directorate providing competing advice to ministers. In general people (on both sides of the intended split) were comfortable with the formula outlined in the Interim Report, i.e. that advice from the Health Service organisation will be information and analysis, largely related to performance; and that advice from the Health Directorate will include policy advice.
- Staff and managers pointed out how government can assist in keeping this arrangement workable, by directing service questions through the Health Directorate and policy questions to the Health Directorate. There was support for some Protocol, agreement or other codification of such an arrangement.
- As one senior clinical manager put it, "It is operational performance that will get all of the scrutiny and questions potentially flowing to the CEOs office but the resources to answer those questions will be sitting with the DGs office, probably rightly."

2. Functional separation issues:

Notwithstanding the support for the overall direction, stakeholders raised several questions regarding the alignment of specific functions and the complexity of separating others. Some of these questions flow out of dissatisfactions with current arrangements. Some raised the inevitable choice points that confront implementation.

The following points were raised. We should note that we are not in a position to judge if all the points are accurate, but they are recorded because of the strength with which views were put.

- Some functions are in the wrong place:
  - Facilities and services – there are a whole series of services that need to move as soon as possible. Examples cited include management of sterilising resources, linen, food services, security, cleaning.
  - Clinical governance and quality management in the government health services, which needs to be run by clinicians in those services, albeit reporting progress and results to a Health Directorate overview function.
- Some functions are underdeveloped:
  - One of the functions that has not worked as well as it could (possibly because the relevant officers are distracted in the operational) is bringing together education, research and the evidence focus needed for contemporary health policy making.
- Some functions have been overdone:
  - There was quite strong criticism that there has been significant investment in system innovation, from which those who commented had not seen a sufficient return on investment. Participants acknowledged that a high degree of staff turnover and organisational change had not been conducive to this endeavour.
- Some functions are unhelpfully intertwined:
  - Chief (medical, nursing and allied health) roles are currently mixed with administrative operational leads in the Hospital. This is unusual when compared to other jurisdictions and puts unrealistic pressure on individuals to operate in intense day to day operational pressure environments while simultaneously providing leadership on a higher strategic level. These roles need to be separated.

The dimension of functional alignment that is causing the most anxiety (and which, therefore, caused the most discussion, was the degree of difficulty in separating interrelated functions for the two new organisations. There are a few, subtly different, cases here.

- *Corporate functions:*

- Plenty of participants complain that the current integrated "corporate" service units are often caught a bit between functions, without necessarily having the capabilities to serve either operational or strategic roles properly.
- They make the point that teams that have the same name in the corporate office and in a clinical service setting serve different purposes. e.g. Finance in the Directorate is about funding, longer term projection modelling, broad allocation of resources to service providers. Finance in a Health Service is about running the business and managing to the horizon, in terms both of demand and driving ongoing operational efficiencies.
- Nonetheless, they are worried about increased non-clinical cost, if efficiencies of scale are lost in creating fit for purpose finance, HR, IT, comms and data functions in both new organisations. People are also concerned at the number and capability of corporate staff to divide and assign to new and more distinct roles.
- Other areas captured in this category include:
  - Strategic data vs Operational data
  - Strategic HR and workforce planning vs operational HR and workforce planning
  - Internal communications
- IT services is similar but was singled out by some because they feel significant investment in service improvement is starting to show results. "This is an area of service delivery that has improved over the past two years."
- Similarly, people identified that a centralised data holding is an end goal, using operational source data but interrogated from both operational and strategic exerts.

- In both, the message is to embed clinical leaders and managers in design, development and project governance, while also building for whole of system functionality. The strategic functions belong to the Health Directorate but success requires embedding much of the development work in the service delivery world. Staff are needed who can ensure systems work and, therefore, that data and other raw material for health Directorate analysis and strategy is robust.
- There are serious implementation issues here. ACT Health needs to avoid "leading anyone on" that structural change will be enough. Capability issues will need to be addressed and change planned carefully to avoid any interim loss of support to either front line or strategic functions.

  - *Policy, strategy and planning functions*:

- The key point here was that the functions that form a core responsibility of the Health Directorate need to become more effective. There are a number of prerequisites.
  - Replacing lost health system expertise in those core functions.
  - Developing clever ways of drawing in expertise from the publicly owned Health Services organisation, other health service providers, research sector expertise and advocacy voices. This could involve secondments, chairing and advising of fixed term policy processes, and (for bigger exercises) governance across all sectors convened by the Health Directorate.
  - Related to this is the importance of an enriched research and evidence function, with strong connections across the clinical services of public, private and non-government sectors and others in the research, advocacy and policy communities.
  - Developing planning processes that are at once sophisticated in dealing with inherently complex problems and simple enough to allow coordination of operational planning in the publicly owned Health Services organisation and longer-term strategic planning for the whole health system in the Health Directorate.
  - This last point is not to preference the government health service provider sector but rather an acknowledgment that they are such a strong part of the health system overall that system wide health strategies and plans will not work if they are not coordinated with them.
- A strong point was made that there have been a number of policy and planning processes over the last years that have not delivered or have taken too long. Fixed timeframes supported by finite commitments from clinical, public health and research sector leaders could be much more efficient than the current practice.

  - *Two last questions re function*:
    - People pointed out that health protection and other public health functions involve direct service delivery, including regulation and management of emergencies with public health implications. They were keen to know whether this meant public health functions would be moving to the publicly owned Health Services organisation.
    - When we informed them that this is not the plan, the point was made that the papers tend to refer to "clinical services" and "services" interchangeably, whereas health services also include non-clinical services, such as public health provides. The advice here is to be more rigorous in describing clinical services as clinical services, not unintentionally excluding non-clinical services.
    - There was also some questioning of the eventual placement of health promotion and preventive health inside the Health Directorate, once public health's place there was answered. Will preventive health sit in the same structure within the Directorate as health protection? This was acknowledged and deferred, as a structural issue, ie outside the scope of this project.
    - There was also some question re the relative role of the Office for Mental Health and mental health policy work conducted in the Health Directorate. This was acknowledged and deferred, again as a structural issue.

3. Capability issues:

As outlined already, there was a lot of questioning of current state capability in ACT Health in the consultations. When these were discussed further, in light of the separation of ACT Health into the Directorate and the publicly owned Health Services organisation, two key points emerged repeatedly.

- Restructure will not fix capability problems. As each area was talked through, participants in each discussion could generally describe how the separation of the new functions would allow for better capability definition. However, recruiting or reskilling staff with skills to do the new roles is a subsequent and separate exercise.
- Participants view the current state to be weak in many areas. They were careful not to blame staff in those areas or individual managers. The general view is that there has been a period of high turnover and structural change that has contributed to a loss of people with subject matter knowledge.
- They are, however, very concerned that this needs to be understood because the capability gain needed to deliver against the new, in some ways more ambitious, arrangement will be larger than might be expected.

Areas that participants stated were not operating fully effectively prior to the separation decision included the following: data and analysis, human resources, finance, business planning – all both at an operational and strategic level. Thus, getting both new organisations to the required capability level will be a very significant challenge.

Relational ability, especially in managing relationships with non-government sector organisations and the universities, was also raised. This will be a key component of the new commissioning function in the Health Directorate to work, not as a "crude purchaser" but as a sophisticated commissioning agent. Again NGOs, including for example from the indigenous sector (but not limited to that sector) made this point strongly.

Challenges with executive leadership, planning for and executing major change management and leading a culture of accountability were also raised as a major challenge by several participants in consultations.

In the consultations with senior Health Directorate staff we did notice a culture of senior managers feeling that processes, demands, change were things they experienced being done to them, not part of their individual and collective responsibility to lead. Attention to change leadership will be a key capability question to execute this reform.

4. Timing and implementation:

As noted above, consultation fora raised serious implementation challenges in both the near and medium term.

It is important to define what success on 1 October looks like. Presumably it might include:

- Clear functional definitions and role descriptions
- Structures for both organisations
- Staff knowing where their job will be located within the new structures
- New structural units having a clear understanding of how their tasks will differ from past tasking
- Visible movement toward senior recruitment
- Establishment of governance structures
- A vision of further change processes which will be ongoing

All of this will have been done via as visible and consultative a process as possible. If individual staff placements cannot be settled before then, clear communication and pastoral care will obviously be required. All of this was clearly high on the priority list of many staff who came to consultation fora.

It is equally important to define what cannot be achieved by 1 October, but which is, nonetheless, mission critical. Presumably this might include:

- Explicit capability and process design projects around headline needs such as commissioning, data and analytics, development of corporate functions in the two organisations, governance structures – both organisation specific and cross-cutting.

- Explicit work to improve and further redefine relationships across the entire health sector in the ACT to improve coordination and ensure other sectors are not confused by changes such as the development of a new and more sophisticated commissioning function.
- Ready admission of the continuing work that is needed, so that ACT Health and the ACT Government does not open itself up to criticism for not achieving outcomes by 1 October that were never by then achievable.

A particular concern that came up was that NGO funding contracts are due to be renewed on 1 July 2019, with a mandatory 6 months' notice of changes. Apparently, some processes have been suspended while the structural reform of ACT Health is underway.

This could leave very little or no time to consider and negotiate changes. Some forward thought is needed on handling issues such as this, for the Directorate and Government not to be criticised for not having foreseen the issue.

Similar issues were raised regarding other procurements, eg by some corporate service areas.

ACT Health cannot stop business as usual while it recreates itself. The consultations suggested that many staff and middle and senior managers are very anxious about this. This underlines the importance of high order change management and leadership capability.

This will include both strong internal and external communications, integrally connected to the change management operation. Change management of this magnitude will require its own governance that engages all requisite partners for planning, execution, messaging, and troubleshooting are all working in continuous synchrony.

It is important, in this regard, that the role of the Transformation Unit is well understood by all stakeholders. Equally it is vital that all leaders in ACT Health understand and step up to their personal and team responsibility to lead change and lead their people through change.