



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

by

**New Zealand Council of Trade Unions
Te Kauae Kaimahi**

Submission on

**Finance, Procurement and Supply
Chain - Proposed Organisational
Design**

Health Benefits Limited

1 November 2013

Summary of NZCTU Recommendations:

- The CTU supports the proposal to centralise and standardise Finance, Procurement and Supply Chain functions of DHBs in principle. However, there are a number of issues and areas that lack clarity and which require further analysis. We have summarised these issues in appendix 1. This further information is necessary for HBL to undertake adequate consultation on this proposal.

Change Process

- HBL and the DHBs must observe workers' contractual entitlements to consultation and process.
- Employees who are directly affected should be given priority for new jobs that may arise and opportunities for up-skilling and training.
- DHBs should manage change through redeployment and attrition in the first instance to retain staff wherever possible within DHBs.
- DHBs are required to offer suitable alternative employment to affected workers.
- Selection criteria and information about job matching and redeployment processes must be accessible and transparent. All of these must be consulted on. The change process must be conducted in a fair and reasonable manner.
- Clarification of the intended new employer and their relationship with all parties affected by a centralised model including workers, DHBs and Unions.
- Further analysis must be undertaken on developing a relocation package that will help retain and incentivise the skills of people in jobs.
- Existing pay and employment conditions for affected workers in the change process should not be undermined.
- Further engagement on the process for developing new job descriptions and the job matching and mapping exercise with Martin Jenkins.
- Assurances that any private information of workers held by external parties will be protected.
- Clarification of the process for challenging job matching decisions for affected workers.
- Clarification of rights and obligations for DHBs, new employer and workers in instances where workers are required to continue working at DHB sites (under another employer) until Hubs are established.
- Further information is required on the proposal's benefits for workers and measures for good employer obligations for new employers.
- A wider strategic response to the proposed changes and its impact on smaller communities.

Proposed model

- Any proposal must be adaptable and flexible if changes are required to address problems.
- Ensure robust and reliable contingency plans and back-up systems are in place for issues that may arise with the new systems, processes and infrastructure. We recommend Union input into the development of safeguards, risk mitigation and contingency plans.
- Greater clarity regarding interim measures and timeframes for implementation and assurances there will be consultation with Unions on any future changes to the proposed model.
- Careful consideration and management of the introduction of the Oracle IT system, the role of Datacom and subcontractors in providing IT support services and robust training plan for staff working with the new IT system.
- For consistency, IT changes should be aligned with the National IT Health Board, other national IT strategies and HBL work programmes with IT components such as the National Infrastructure Platform project.
- Any change to FPSC systems and processes should not have an adverse effect on clinical leadership and access to information for clinicians.
- We are strongly opposed to any change that may arise through the establishment of a new subsidiary of Health Alliance which risks privatisation of shared services.
- A detailed evaluation programme examining the implementation phase, effectiveness of the changes and experiences of users is built into the agreed model from the start of the change process.
- An on-going tripartite governance structure be established to monitor and provide oversight of the new proposed structure. This should have input from practitioners and union representation.
- A framework for clinical input should be undertaken by Health Alliance in its interim role for managing procurement processes.
- A governance structure be established which incorporates representatives from all organisations involved in the procurement model. This should include practitioners and Unions to help facilitate procurement processes.
- Continued involvement of forums such as the National BAG and HSRA to maintain open lines of communication, dialogue, information sharing and building confidence in workers, wider health sector and public on the credibility of proposed changes.

- Greater involvement by DHB Shared Services (alongside HBL) in the change management process and engagement with Unions on employment related issues.

Information requests

- Further information on the selection criteria and ratings that will be applied and the selection process e.g. will psychometric testing be used? Who will be on the interview panel? Will assessment of past performance be used? etc.
- Supporting evidence of the proposed relocation package. We request a meeting between Unions, HBL and DHB Shared Services to discuss the relocation package.
- We request a meeting on the process for job matching and mapping with Martin Jenkins and the process undertaken for developing new job descriptions.
- Further engagement between Unions and HBL on the training analysis plan, identifying training needs and requirements for workers (both directly and indirectly affected).
- Further information is required on the veracity of cost savings of \$500 million (estimated over ten years) and analysis of implementation costs.
- Assurances that current funding in the health sector will not be reduced due to savings that may be made through the FPSC proposal. Savings must go back into the health system and support better health outcomes.
- The proposal must provide supporting evidence, robust analysis of issues and clear rationale for the proposed model and specific information on how it will work in practice.
- Clarification of the Integrator role including how this will work in practice, rights and obligations of HBL in relation to contracted parties, communication processes between parties, accountability mechanisms, the duration and future existence of the Integrator role.

1. Introduction

- 1.1 The New Zealand Council of Trade Unions - Te Kauae Kaimahi (CTU) is the internationally recognised trade union body in New Zealand. The CTU represents 37 affiliated Unions with a membership of over 320,000 workers.
- 1.2 The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3 The CTU has an active role in health sector forums including the Health Sector Relationship Agreement (HSRA) and the National Bi-Partite Action Group (NBAG). The CTU and health sector affiliated Unions have been engaging with Health Benefits Limited (HBL) on the processes and timeframes for their work including the development of the Change and Communications Framework (CCF) which has been agreed to by District Health Boards (DHBs) and Unions.

2. Finance Procurement and Supply Chain: CTU response

- 2.1 The CTU welcomes the opportunity to submit on the proposal for changes on the way Finance Procurement and Supply Chain services are delivered in the health sector.
- 2.2 The proposed changes outlined will directly affect members of the Public Services Association (PSA), the Engineering, Printing and Manufacturing Union (EPMU) and FIRST Union. The proposal is likely to have an indirect impact on other parts of the health workforce and Unions downstream who will need to adapt to new entities, processes and systems.
- 2.3 In principle, the CTU supports the proposal to centralise and standardise Finance, Procurement and Supply Chain functions of DHBs.
- 2.4 A good proposal will:
 - ensure that patient safety and quality of care are not adversely affected in pursuit of cost savings;
 - appropriately manages impact on workers including job losses;
 - have open and transparent decision making processes;
 - promotes clinical leadership;
 - maintain continuity of services;
 - ensures a smooth transition; and
 - improve health outcomes.

- 2.5 Given the complexity of the proposed changes, there are a number of areas that remain unclear and lack sufficient information to provide an adequately informed submission. We identify these areas below followed by questions for further clarification. Please provide us with this information as a matter of urgency.
- 2.6 The FPSC consultation document provides an overview of the proposed changes but lacks detail on the specifics of the proposed changes, how they will work in practice, the nature and role of various parties, who are the legal employer/s and their obligations, and the impact of changes on smaller communities where job losses will have a significant impact on local economies.
- 2.7 A significant issue is not knowing who the employer/s would be under the proposed structure (with certainty) given a number of contracts with service partners have not been finalised. The CTU is concerned about the status of the service partners (new employer/s) has yet to be confirmed and what this would mean for the employment relationship, maintaining terms and conditions of collective employment agreements, employer obligations and responsibilities.
- 2.8 Although the CTU supports the FPSC proposal for centralised shared services and standardised systems across DHBs in principle, there are a number of issues and areas that lack clarity and which require further analysis before a decision is made on a final approach.

3. Issues

Employment Protection and Change Management

- 3.1 The FPSC proposal will have a significant and direct impact on a number of workers in the health sector.
- 3.2 Proposed changes will be unsettling and disruptive for affected workers and impact of job losses will be felt strongly, particularly in smaller communities where the DHB is a major employer. News of proposed changes and impact on jobs will be particularly unsettling over the Christmas Holiday period for affected staff and their families.
- 3.3 The CTU urges DHBs to manage change through redeployment and attrition to retain staff wherever possible within DHBs. During the change management process, DHBs are obligated to consider all redeployment opportunities and available roles for an affected worker.
- 3.4 There are two key Employment Court decisions in recent years in relation to redeployment. *Jinkinson v Oceana Gold (NZ) Ltd* [2010] NZEmpC 102 CRC 4/08 which sets out legal principles in respect of redeployment and ensuring restructuring processes are conducted in a fair and transparent manner. These principles were confirmed again in the case *Wang v Hamilton Multicultural Services Trust* [2010] NZEmpC

142 - emphasising the duty of the employer when considering redeployment in restructuring situations.

- 3.5 Both decisions reinforced the importance of the duty of good faith and employers' obligations to proactively consider redeployment opportunities ahead of confirming the need to reapply for roles or redundancy. DHBs are required to offer suitable alternative employment to affected workers.
- 3.6 The CTU recommends that workers who are directly affected should be given priority for new jobs that may arise and opportunities for up-skilling and training. This is important in retaining skills, knowledge and experience of staff for the sector.
- 3.7 Affected workers who transfer to the new structure should maintain their current terms and conditions with the new employer. HBL and the DHBs must observe workers' contractual entitlements to consultation and process.
- 3.8 Communication and lead in time for change is critical for employees particularly if there are decisions to be made that affect not only jobs but also personal and family circumstances. For example, a number of jobs are proposed to be relocated to larger centres (Auckland, Palmerston North, Wellington and Christchurch) where Hubs covering the FPSC services will be established. Relocation is likely to have a major effect for those who have dependents and those with established commitments to their communities.
- 3.9 The proposal indicates relocation support costs of \$3500 (moving within Islands) or \$6500 (relocating between Islands) will be provided to affected workers who are job matched and decide to relocate. The CTU does not believe the proposed costs are necessarily sufficient in respect of relocation changes workers and families will have to experience (short term and long term) such as moving costs, housing, transport, and schools. The proposed relocation costs also do not take into account affected workers who may be residing and working in larger Centres with a wide geographic spread such as in Auckland and the impact of added costs such as transport or having to relocate home for those workers to be closer to work.
- 3.10 We believe the proposed relocation costs are not a fair reflection of the true cost of relocation and unlikely to incentivise workers to relocate for jobs under the proposed new structure. It is unclear on what basis the proposed relocation costs have been developed - we request supporting evidence for the proposed relocation package.
- 3.11 We recommend further analysis be undertaken on developing a relocation package that will help retain the skills of people in jobs. Unions for affected workers are willing to assist and provide input into a package which is fair and reasonable for workers and DHBs.

- 3.12 The consultation document outlines new role summaries and job descriptions are available upon request for affected staff to review. We are concerned where new job descriptions have been created and may only take into account current written job descriptions. Often written job descriptions do not reflect what a worker may be doing in their job on a day-day level as they may be doing additional work that has developed over time over and above what is listed in the job description. Unions have not been involved in consultation on current job descriptions. The CTU would like to discuss the process undertaken for developing new job descriptions with HBL.
- 3.13 We understand that consultancy agency Martin Jenkins are providing an external eye in terms of matching affected staff to roles under the new structure by reviewing current job descriptions with new descriptions of what the new roles will entail. The CTU supports the use of an external party given the complex nature and number of parties involved in the change management process. However, we would like the opportunity to discuss the process for the job matching and mapping exercise with Martin Jenkins as this process will have a bearing on the selection criteria and processes. We also seek assurances that any private information of workers held externally will be protected.
- 3.14 It is proposed that affected workers will receive letters in December notifying them of whether they have been matched to a job. However, the process remains unclear for affected workers if they wanted to challenge the decision outlined in their letter. Further information is required on what selection criteria and ratings will be applied and the selection process e.g. psychometric testing, panel interviews, assessment of past performance etc.
- 3.15 For the above reasons it is vital that information relating to selection criteria, job matching and redeployment is accessible and transparent and the change process is conducted in a fair and reasonable manner. We recommend clarification of the contestable process for affected workers (after receipt of the job matching letters) to help them make an informed decision regarding their jobs.

Destination organisation (new employers)

- 3.16 The proposal outlines a number of different parties who will act as service partners (proposed new employers) in the delivery of FPSC services for DHBs (e.g. Onelink, Health Alliance (new subsidiary), Datacom and Pharmac). Although negotiations with these service partners are currently underway, we understand no contracts have been finalised or signed.
- 3.17 Where a worker's job may be affected an employer must provide the worker with the information they need to fully comment before a

decision is made. The duty of good faith requires employers, workers and Unions to be open and communicative. This duty is particularly strong where “an employer is proposing to make a decision that will, or is likely to, have an adverse effect on the continuation of employment” of one or more workers (section 4(1A)(c) of the Employment Relations Act 2000).

- 3.18 It is impossible for Unions to engage in meaningful consultation on this point when the proposed parties to the employment relationship remain unknown.
- 3.19 There must be a commitment made by any new employer/s to not undermine current terms and conditions of collective agreements and to transfer and maintain existing pay and employment conditions for workers in the change process. We would be very concerned if a change in employer led to deterioration in pay and conditions for the affected employees.
- 3.20 The relationship between various parties in the proposed model and responsibilities also remains unclear. For example, we have concerns as to whether due consideration has been given to the specific financial and reporting requirements and obligations under the Crown Entities Act 2004 and the Public Finance Act 1989 for the proposed Health Alliance subsidiary and board members, responsible Ministers and the House of Representatives.
- 3.21 Furthermore, the proposal and implementation plan indicate some workers will continue to work at DHB sites but their legal employer could be another party until the proposed Hubs for delivery of services have been established. How this will work in practice remains unclear. Without clear information on policies, protocols, responsibilities, rights and obligations for all parties under this arrangement, there could be disruption to services, confusion amongst various parties (DHBs, new employer/s and workers) and potential disputes. We recommend further work be done to clarify how these scenarios will work in practice.
- 3.22 Clarification of the proposed employer/s and the relationship between different parties and layers in a centralised model is a critical employment issue. This issue must be given priority in the design of the proposal and consultation going forward.
- 3.23 We note the lack of reference to good employer obligations in the proposal and the absence of information on benefits for workers. This may partly be due to the fact that a number of contracts with service partners have yet to be negotiated and finalised which would confirm the legal status of new employer/s and performance measures.
- 3.24 Further information is required on the proposal’s benefits for workers and key performance indicators around good employer obligations for

new employers. Any new employer must be subject to good employer obligations including acting in good faith with workers and Unions; being a fair and reasonable employer; and providing a safe and healthy work environment.

- 3.25 Given the complexity of the proposed model and implementation, any proposal to outsource the provision of services and infrastructure must be met by a credible, capable, experienced and reliable provider who is a good employer and expert in their field. The rationale for change is unclear as to why initiatives similar to the proposal could not be carried out effectively within the State Sector.

Impact on smaller communities

- 3.26 The proposal continues the trend towards shifting services and jobs to larger Centres, privatisation and the subsequent pressure on smaller communities who are already struggling in terms of economic development and job growth.
- 3.27 The proposed changes are likely to result in jobs lost or relocated from smaller communities to larger Centres. DHBs are major employers and in some instances business partners in regional areas around New Zealand. The impact of job losses and loss of skilled and experienced workers to larger Centres will have a significant impact and felt more widely in smaller communities and their economy. For workers who choose not to relocate, unable to find suitable work and made redundant are likely to struggle to find work in their communities.
- 3.28 It is unclear how many DHBs, if any, currently engage with local small and medium sized businesses on the delivery of services or procurement processes. The CTU is concerned that small and medium sized businesses will miss out on business opportunities due to centralised processes and procurement systems.
- 3.29 It is disappointing to see the consultation document not provide any information or analysis on the impact of proposed changes on smaller/regional communities or a strategy to address the potential effects of jobs losses and business in local economies. We strongly recommend a wider strategic response to the proposed changes and its impact on smaller communities. There must be a plan to address the effects of job losses, loss of trade on businesses in smaller communities with emphasis on job creation and regional economic development.
- 3.30 The rationale for the proposed number of Hubs is unclear (two Hubs for Finance; three Hubs for Supply Chain (distribution Centres); and three Hubs for Procurement). Could some of the work that is proposed to be done by larger Centres, be done in regional Hubs e.g. Napier, Rotorua, Nelson or Dunedin? If there was good infrastructure and investment in

regions this could enable Hubs to be established and some services to operate from regional Centres.

Implementation

- 3.31 The implementation plan has been signalled to be rolled out over two years through a “wave” approach which slowly introduces groups of DHBs into the proposed structure. This is a sensible approach given the scale of the proposed changes and managing transitional risks. The implementation plan is also intended to maximise job opportunities for affected workers that might arise through the change management process such as new jobs or relocation prospects.
- 3.32 However, the CTU is concerned that prolonged periods of uncertainty may increase the risk that experienced staff may leave due to job insecurity. We recommend regular and clear communication to staff through the implementation phase and employee support available such as counselling, EAP and CV application and writing support.
- 3.33 The implementation plan allows for a point after the first “wave” (March/April 2014) to modify solutions if problems arise during implementation. While we support this approach it is unclear if costs have been anticipated for changes that may be required or if there is a contingency plan for the proposal. Any proposal must be adaptable, flexible, and ensures contingency plans are in place for issues that could arise with the systems, processes and new infrastructure.
- 3.34 We believe there are also additional risks regarding the length of the contract (ten years) including issues such as changing technologies, market dynamics, bankruptcy (provider), changes in needs, changes in political landscapes and natural disasters. Work around contingency plans may be underway, however, we need to have confidence this is a robust and resilient plan. The CTU recommends further consultation on what the contingency plan entails, who would be involved and how this would work in practice.
- 3.35 Given the scale of proposed changes, the CTU is concerned about the lack of information in the consultation document on training or up-skilling opportunities for affected workers and how this would be managed. There are major operational risks with the introduction of new systems and processes if there is little recognition or provision of training for staff in the rollout and on-going training support.
- 3.36 We understand a training analysis document has been developed by HBL and finalised separate to the FPSC consultation document. There are a number of areas in regards to training that we require further clarification on such as who will meet the costs, who will provide the training, will there be extra support provided? We recommend further engagement with HBL on the training analysis, identifying training

needs and requirements for workers (both directly and indirectly affected) under the proposed new structure.

- 3.37 The proposal indicates a number of interim measures will be undertaken in terms of implementation of changes, however, no timeframes for the duration of interim measures have been provided. For example, the proposal indicates HBL will hold the role of Integrator (provide communications; support; engagement between DHBs, service providers and other parties) and the new Health Alliance subsidiary will manage Procurement services on a national basis for DHBs until Pharmac takes over – in both instances there are no timeframes given for the interim management measures.
- 3.38 Lack of clarity around timeframes for implementation particularly around unconfirmed service partners is likely to cause further uncertainty amongst workers, scepticism of the proposal and possible disruption to services which could affect public trust and confidence in the system. The longer the interim measures continue the more difficult it will become to integrate the intended service partner into the system. If the proposed model for delivery of Procurement services and the Integrator role were to change, we would expect there to be consultation with Unions on future changes. We recommend greater clarity regarding interim measures and timeframes for implementation.

Rationale for change

- 3.39 The proposal outlines a general overview of the problem and the reasons for why change is needed particularly around reducing wastage, better stock management and distribution, gaining efficiencies and transparency of information. However, the specifics of each part of the FPSC programme and how they will work in practice have not been provided.
- 3.40 While there may be cost savings that could be made and greater efficiencies, there is a risk that unintended (and costly) consequences may arise if the current state of play, problems and solutions are not clearly identified and supported by evidence. It is possible this analysis has been undertaken but not discussed in the proposal document. The CTU requests information on the analysis of the problems and supporting evidence for the changes proposed under the FPSC programme.

Cost savings

- 3.41 There is an absence of information and evidence of the cost benefits from the proposal. We believe that any real benefits of shared services and a centralised system will be delivered in the long term rather than the short term due to the potentially high initial implementation costs.

- 3.42 The FPSC Indicative Case for Change (ICC) in 2012 indicated that cost savings would be \$146 million in the first five years. The consultation document states the programme is expected to save \$500 over the next 10 years. However, as with other HBL programmes no information or evidence has been provided to verify how the savings estimation has been arrived at by HBL.
- 3.43 Similarly, there is no information in the proposal on implementation costs – although in the FPSC ICC (2012) costs were anticipated to be around \$77.6 million. The CTU believes there are likely to be many hidden costs associated with the proposal, particularly when taking into account redundancy costs, training (including training of clinical and indirectly affected staff of new processes e.g. procurement), IT infrastructure costs and storage of supplies such as pandemic supplies in private warehouses. It is unclear if these costs have been anticipated or how these costs will be met. It remains unclear as to how real the cost savings will be when offset against the implementation costs.
- 3.44 Similar concerns regarding transparency and validity of cost savings have also been expressed by the Auditor General in her report¹ earlier this year, *“The associated work programme will mean significant change for the sector and on-going risk, including risks to the maintenance of service delivery and the delivery of planned savings and efficiencies...I will continue to watch that the reporting of savings is transparent and reflects actual savings.”*
- 3.45 The Auditor General’s report and recommendations to improve transparency reinforces our concerns around the breakdown of savings and costs incurred in achieving savings. There have been no checks in place to verify the reported savings to date or the estimated savings over the next ten years by HBL.
- 3.46 The CTU requests information on estimated savings and expenditure. It is important to understand how the savings information and transitional costs have been sourced. Without verification and a robust analysis there is a chance the contribution to savings will be minimal and outweighed by implementation and design costs if they are not adequately identified.
- 3.47 Finally, the proposal does not clearly state where the cost savings are likely to go, how the savings will be distributed and by whom, and whether health sector funding will be affected by any savings incurred. As mentioned in previous submissions on HBL programmes, there must be assurances that funding in the health sector will not be reduced due to savings that may be made through the FPSC proposal. Savings must go back into the health system and support better health outcomes.

¹ Health Sector: Results of 2011/12 Audits (16 April 2013)

Proposed model

- 3.48 The FPSC proposal outlines the approach for developing a national standardised system for ordering, delivering, storing and paying for FPSC services. The CTU broadly supports this initiative based on a shared services model, centralised systems and processes. We believe there are gains to be made in terms of efficiencies and savings for the sector (although the extent of savings has not been identified yet).
- 3.49 We welcome the role of Pharmac as a service partner in the procurement model. Pharmac is a proven model for collective procurement and serves national interests well by demonstrating interconnections between regulation, cost-effective assessments, practitioner-led judgements, accountability and employment.
- 3.50 We also welcome the creation of new jobs in the proposal such as in the common support services area in the delivery of FPSC services which may provide further job opportunities for affected workers. We are also pleased to see that changes to payroll systems will not be explored as part of the FPSC programme.
- 3.51 It is reassuring to see under proposed changes to Finance services, DHBs will retain a significant portion of management accounting activity as well as financial leadership and strategic focus across DHB business.
- 3.52 The proposal, however, only provides a high level overview of the proposed changes. The FPSC consultation document lacks detail on how the new structure and processes will work in practice for end users. Given the scale of the proposed changes, number of parties involved and complexity around implementation, the CTU would like to see further information on how a national shared services model and centralised processes will work in practice on a day to day level for workers.
- 3.53 For example, the FPSC proposal provides a high level overview of what a national procurement process might look like but lacks details on how the process will work in practice such as the process for identifying quality health items for procurement, input into decision-making and processes for purchasing decisions.
- 3.54 The CTU has concerns regarding the lack of clarity of the proposal for Supply Chain services. At least three different parties (Health Alliance, Onelink and DHBs) have been proposed to undertake services in this area ranging from store work, packing and warehousing, distribution and delivery, but it is unclear how the different parties and demarcated areas of work will operate in practice.
- 3.55 Adding to the complexity is the current state where a number of workers in Supply Chain services undertake different tasks in their

roles. Under the proposed new structure, the tasks will be demarcated as per the entity undertaking the specific work. However, it is unclear on what basis the demarcation process will occur and the impact on the job matching exercise for affected workers.

- 3.56 The proposal states that a number of in-hospital supply chain roles will be retained as they are now, however, feedback from Unions is that the proposed number of jobs in other areas of Supply Chain under the new structure will not be viable, likely to cause problems in meeting demand and workload and risk compromising the delivery of services.
- 3.57 For example, there are hospitals with redevelopment plans currently underway which is likely to require more people to deliver supplies as the redevelopments are large and complex e.g. Christchurch and Burwood hospitals. The number of proposed positions for Supply Chain services for the Christchurch Hub is insufficient particularly for covering annual leave or sick leave. Currently, affected staff working in this area are already struggling to meet work demands and often have to rely on the use of temporary workers in the Warehouse. The CTU recommends HBL revisit the proposal and engage with workers and affected Unions to ensure proposed changes can meet capacity and be sustainable.
- 3.58 It is also unclear what would happen in the event of a natural disaster, pandemic or other incidents arising. For example, if Onelink is to provide logistics services for warehousing and storage – what contingency plans are in place to ensure communication is maintained and products can in fact be delivered to hospitals in a timely way?
- 3.59 There are also potential issues associated with security, access and confidentiality of DHB information if services under the FPSC programme are managed in a centralised approach by a third party. The proposal does not outline safeguards, risk mitigation or a contingency plan. This work may be underway and possibly part of contract negotiations but we would like to see further information on risk analysis. We recommend union input into the development of safeguards and risk mitigation.
- 3.60 We have concerns regarding the implementation of a new IT system (Oracle). The proposal is unclear on whether there will be training available for the implementation of the Oracle system or whether contingency plans will be in place in case there are problems with IT systems and infrastructure. There are a number of examples of State Services agencies undertaking IT innovations - some of these examples having worked well while others have been major IT failures. Ensuring the IT system is fit for purpose and user-friendly will require careful management and appropriate training for staff and support.
- 3.61 The proposal must ensure that workers and public have trust and confidence in a safe, secure and reliable system. The rights and

obligations of all parties (such as Datacom, subcontractors, DHBs, HBL) must be clearly identified otherwise the system risks repeating the failures of past large scale IT failures in the State Sector.

- 3.62 While the staggered “wave” approach will assist in implementing the Oracle system across all DHBs, we recommend careful management of the Oracle system, the role of Datacom and subcontractors (contract yet to be negotiated and confirmed) in providing IT support services and a robust training plan for staff working with the new IT system. There must be contingency plans for back-up systems or processes to ensure information is communicated and accessed in a timely, responsive manner in the event there are IT problems and “breakdowns”.
- 3.63 In addition, the FPSC ICC (2012) indicated that changes related to IT would be aligned with the National IT Health Board’s direction and strategy, however, the FPSC proposal does not identify whether this has occurred.
- 3.64 Alignment with the strategy is vital in ensuring consistency, sound decisions and direction is undertaken for the sector otherwise the proposal risks a number of unintended consequences, costly mistakes and disruption to services. We strongly recommend a co-ordinated and collaborative approach with other IT strategies underway such as the Government’s ICT Strategy and Action Plan 2013 - 2017 which requires State Services agencies (including DHBs) to align their plans with this Strategy and Action Plan; and alignment with other HBL programmes with IT components such as the National Infrastructure Platform (NIP) project to mitigate risks.
- 3.65 Any change to FPSC systems and processes should not have an adverse effect on clinical leadership and access to information for clinicians. For example, under the collective procurement model clinical staff will still need access to inventory information including the cost of procurement items. The consultation document is unclear as to how clinical staff will have access to this information. Without this knowledge unnecessary wastage of items may occur and the good intentions of the proposal may be lost. Workers (both directly affected and indirectly affected) need to be informed and consulted on how the specific changes to the different service areas will work in practice.
- 3.66 Given the complexity and significant nature of proposed changes, we support the intended role of the Integrator (HBL) in providing support and oversight of integration, service engagement and contract management. However, how this role will work in practice for all parties, the rights and obligations of HBL in relation to contracted parties (and vice versa), communication process between parties, accountabilities, the duration of the Integrator and future role remains unclear. To avoid confusion, potential conflict and managing expectations we recommend further clarification of the Integrator role

and interface with all parties including Unions, DHBs, and DHB Shared Services.

Transparency and accountability of processes

- 3.67 The CTU understood until the release of the FPSC consultation document that Health Alliance (owned by DHBs and HBL) would deliver the model for shared services and be the employer of staff engaged in operating shared services at a national level.
- 3.68 We are concerned about the establishment of the new proposed subsidiary of Health Alliance so late in the development of the proposal. It is unclear who would be involved with the new entity, what it would entail for the sector and if it was capable of delivering a shared services model. The CTU is strongly opposed to any change that may arise through the establishment of a new subsidiary of Health Alliance which risks privatisation of shared services.
- 3.69 We are also concerned about privatisation of FPSC services under the proposed structure. For example, logistics such as warehousing of products will be managed by a private organisation Onelink. As mentioned in previous submissions on HBL programmes, the CTU has strong concerns where private sector involvement increases in the delivery of public services and potentially undermines the links between clinical and support services.
- 3.70 We believe nationally outsourcing provision of public services and infrastructure encourages a commercial profit-driven approach, diminishes accountability of public funds and transparency of information. Public spending becomes more difficult to scrutinise as private sector organisations are not covered by information requests.

Governance

- 3.71 It is unclear whether any current FPSC governance structures would continue after the transition/implementation phase. The CTU recommends an on-going tripartite governance structure to monitor and provide oversight of the new proposed structure. Given the scale and complexity of changes proposed, it is vital to have input from practitioners and union representation on governance structures. This will assist in identifying whether the proposal is working well, fit for purpose, and ensure transparency of information and decisions.
- 3.72 The proposal suggests that Pharmac will develop a framework for clinical input into decision-making processes regarding procurement of clinical supplies. We strongly support this proposal as many procurement items have a direct and indirect impact on health and professional standards. Users of procurement items must have confidence in those making the decisions on procurement and purchasing choices.

- 3.73 However, the CTU is concerned under the interim measure for Health Alliance (proposed new subsidiary) to manage procurement processes there is no proposed framework for clinical input into procurement choices, purchasing and decision making processes. We are also unclear on what level of expertise or experience Health Alliance has had in regards to management of procurement processes. We recommend a Governance structure/framework similar to that proposed under Pharmac to assist Health Alliance in its interim status.
- 3.74 In addition, the delivery of procurement services will require a number of organisations working together in a collaborative manner. We are concerned about the number of parties involved in this process and the impact this will have on quality collaboration and decision-making processes. We strongly recommend a governance structure incorporating representatives from all organisations as well as practitioner and union input to help facilitate this process - otherwise organisations may risk working in silos and in a fragmented manner.

Evaluation process

- 3.75 The CCF indicates there will be an evaluation review of the post-implementation phase. The FPSC proposal lacks detail on any evaluation programmes. Given the significance of the changes, the CTU recommends a detailed evaluation programme examining the implementation phase, effectiveness of the changes and experiences of users be built into the agreed model from the start of the change process.

Consultation

- 3.76 We urge caution in rushing implementation of the FPSC programme. There are still many areas of the proposal lacking detail and certainty including who the new employer/s will be, impact on employment relationships, specifics of the proposal, how the model will work in practice and impact analysis of the effects of the proposal for smaller communities. Without this information the proposal risks making ill-informed and poorly developed solutions.
- 3.77 The consultation process must be genuine and Unions have access to all available information including certainty around employment relationships, decision-making and evaluative processes including job selection. Without this information it is difficult for Unions to provide well-informed and quality responses to any proposal.
- 3.78 The agreed process for sharing information is through the steps outlined in the agreed CCF. Given the complex nature of the proposed changes and number of organisations involved, the CTU strongly recommends continued involvement of the forums such as the National BAG and HSRA for discussing issues. The open lines of communication assist in information sharing, dialogue and building

confidence in workers, the wider health sector and public on the credibility of proposed changes.

- 3.79 Similarly whilst, HBL is the agent of DHBs in the change process, we believe a stronger and active involvement by DHB Shared Services (employer representatives) in the process is critical to maintaining constructive employment relationships between Unions and DHBs. We recommend greater involvement by DHB Shared Services (alongside HBL) in the change management process and engagement with Unions on employment related issues.

4. Conclusion

- 4.1 The CTU broadly supports in principle the proposals outlined in the consultation document for Finance Procurement and Supply Chain, however, we have a number of concerns regarding impact on affected workers, smaller communities and implementation of the new proposed structure.
- 4.2 There are a number of areas that require further clarification and detail before any changes can be finalised including confirmation of who will be the legal employer for delivery of services. Without this information it is difficult for Unions to provide well-informed and quality responses to the proposal.
- 4.3 The proposal for the Finance Procurement and Supply Chain programme is complex and will require careful management in terms of employment protection and support for affected staff, implementation risks, maintaining services and business continuity through change, effective delivery of services in the long-term and ensuring public trust and confidence in the system.
- 4.4 The CTU welcomes further opportunities to work with HBL and DHB Shared Services on issues raised in this submission particularly in managing transition and employment protection processes of affected workers.

Appendix 1

Questions

In addition to the issues raised in the submission, the CTU requires responses to the following questions:

Employment and transition process

- a) Will the current terms and conditions of affected employees be transferred to the new employer?
- b) Will good employer obligations be referenced in contracts with new service partners?
- c) How were the proposed relocation costs sourced? Can this be improved to incentivise workers to relocate?
- d) What are the benefits arising from proposed changes for workers?
- e) What was the process undertaken for developing new job descriptions? What is the selection criteria for the job matching and mapping exercise?
- f) What is the process for affected workers to respond to if they want to challenge the job matching outcome?
- g) What will be the selection process e.g. will psychometric testing be used? Who will be on the interview panel? Will assessment of past performance be used? etc.
- h) Has there been an analysis of the proposed changes including impact of job losses and potential loss of trade for businesses in small communities? What is the plan to address the negative impacts of the proposal?
- i) What are the policies, protocols, responsibilities, rights and obligations for DHBs and new employer/s if workers continue to work at DHB sites (legal employer could be another party) until proposed Hubs are established?

New employer/s

- a) When will the contractual arrangement be finalised for the destination organisations (new employers)?
- b) Who is the new Health Alliance subsidiary? What will be the nature and role of this subsidiary under the proposal? What would it entail for employment relationships? What consideration has been given to other legal obligations and responsibilities such as those requirements of the Crown Entities Act 2004 and Public Finance Act 1989?

Implementation

- a) Will the new Health Alliance subsidiary be capable of delivering a shared services model?
- b) Who will meet training costs for implementation and on-going support? Who will provide the training? Will training be provided for staff indirectly affected by changes - such as clinicians on new procurement processes?
- c) Is there a risk mitigation register? If so, can we see the register and risk analysis?
- d) Are there contingency plans for the proposal? If so, what do these entail, how would it work and who would be involved in the event contingency plans were activated?
- e) What are the timeframes for interim measures such as the role of the Integrator and Health Alliance (new subsidiary) managing procurement processes?
- f) How will the Integrator role work in practice? What are the rights and obligations of the Integrator in relation to contracted parties (and vice versa), communication process between parties and accountability mechanisms?
- g) How has HBL arrived on its cost savings of \$500 million (estimated over ten years)? What evidence supports this estimation? What are the implementation costs?
- h) What is the rationale for the number of proposed Hubs? Could some of the work be undertaken in Hubs if established in regional Centres?
- i) Are changes to IT systems aligned with the direction and strategy of the National IT Health Board, Government's ICT Strategy for State Services and other HBL programmes with IT components?
- j) Under the collective procurement model will clinical staff have access to inventory information including the cost of procurement items?
- k) Is there a framework for clinical input into procurement processes under Health Alliance in its interim role (this has only been proposed for Pharmac)? Is Health Alliance capable of managing procurement processes in the interim?

Governance

- a) Will there be an evaluation of the implementation process?
- b) Will there be a governance group with oversight of the overall FPSC programme (in the short and long term)?
- c) Will there be an over-arching governance body providing oversight of procurement services given the high number of parties involved?