



MP for Epsom

Deputy Prime Minister (from 31 May 2025)

Minister for Regulation

Associate Minister of Education (Partnership Schools)

Associate Minister of Finance

Associate Minister of Health (Pharmac)

Associate Minister of Justice (Treaty Principles Bill)

16 DEC 2024

Hon Paula Bennett

Board Chair

Pharmac

boardchair@pharmac.govt.nz

Dear Paula

Annual funding and monitoring agreement for Pharmac for the period 1 July 2024 to 30 June 2025

Further to my letter of expectations of 28 May 2024, and following confirmation of Budget 2024 and finalisation of your 2024/25 Statement of Performance Expectations (SPE), this letter assists me as the responsible Minister for Pharmac to clarify, align, and manage operational expectations with you as Chair for the period 1 July 2024 to 30 June 2025 and the work that will be undertaken for the funding provided.

Roles and responsibilities

The Ministry of Health's (the Ministry) role as my agent is to review accountability documents, including the Statement of Intent (SOI), SPE, Annual Report, and quarterly performance reports of Pharmac, and assess and advise me on performance and reporting of Pharmac. This includes any risks or potential risks, managing payments, passing on of information about relevant decisions, and or changes in Government policy and processes, the Budget and the Government's expectations of Pharmac. The Ministry will provide regular briefings and attend meetings between myself and Pharmac as required.

I expect Pharmac will comply with all its legal obligations and will meet the Government's expectations and will operate on a 'no-surprises' approach.

Pharmac must give effect to the Government Policy Statement on Health (GPS), contribute to achieving the desired improvements of the New Zealand Health Charter, have regard to health strategies outlined in the Pae Ora (Healthy Futures) Act 2022 (the Pae Ora Act), and act in accordance with the Code of expectations for health entities' engagement with consumer and whānau (the Code). Pharmac must consider the expectations outlined in the Code when working with consumers, whānau and communities in the planning, design, delivery and evaluation of health services and will self-report 6 monthly using the Quality and Safety Markers (QSM) tool and report annually as part of its Annual Report on how it has given effect to the Code as required under section 60 of the Pae Ora Act.

Service performance

I expect Pharmac to deliver its services specified in its SPE. If Pharmac is unable to meet any of its performance measures, you must provide the Ministry with the details of the risk as soon as practicable. Depending on the significance of the matter, you may need to advise the Ministry outside the regular reporting times and include the proposed actions or response to achieve services.

For intellectual property without limiting any other rights that the Crown may already have, the Ministry may use (which includes copying, modifying, developing or distributing) any intellectual property in anything provided to it by or on behalf of the Pharmac free of charge under this letter and is ongoing regardless of the date of expiry of this agreement.

Financial management

Pharmac will be paid a total of \$31,507,000 from Vote Health: Pharmaceutical Management Agency – National Management of Pharmaceutical for the national management of pharmaceuticals.

Pharmac will be paid a total of \$1,689,634,000 from Vote Health: National Pharmaceuticals Purchasing for purchasing of pharmaceuticals on the national pharmaceutical schedule and subsidising the supply of pharmaceuticals not on the national pharmaceutical schedule.

The funding outlined above is for the period 1 July 2024 to 30 June 2025 and will be paid by way of direct credit to the Pharmac nominated bank account in instalments as detailed in the following schedules of payments. This funding plus any other sources of income in accordance with Pharmac's SPE, are sufficient to provide Pharmac's services.

Pharmac - National Management of Pharmaceuticals - Period	PAYMENT DATE	\$ (GST excl)
Jul-24	3-Jul-24	2,458,917
Aug-24	2-Aug-24	2,792,250
Sep-24	3-Sep-24	2,625,583
Oct-24	3-Oct-24	2,625,583
Nov-24	1-Nov-24	2,625,584
Dec-24	3-Dec-24	2,625,583
Jan-25	3-Jan-25	2,625,583
Feb-25	3-Feb-25	2,625,584
Mar-25	3-Mar-25	2,625,583
Apr-25	3-Apr-25	2,625,583
May-25	2-May-25	2,625,584
Jun-25	3-Jun-25	2,625,583
	TOTAL	31,507,000

Pharmac - National Pharmaceutical Purchasing - Period	PAYMENT DATE	\$ (GST excl)
Jul-24	3-Jul-24	131,802,833
Aug-24	2-Aug-24	149,802,833
Sep-24	3-Sep-24	140,802,834
Oct-24	3-Oct-24	140,802,833
Nov-24	1-Nov-24	140,802,833
Dec-24	3-Dec-24	140,802,834
Jan-25	3-Jan-25	140,802,833
Feb-25	3-Feb-25	140,802,833
Mar-25	3-Mar-25	140,802,834
Apr-25	3-Apr-25	140,802,833
May-25	2-May-25	140,802,833
Jun-25	3-Jun-25	140,802,834
TOTAL		1,689,634,000

Annual net surpluses, arising from the efficient delivery of services, may be retained by Pharmac for use in subsequent years. Expenditure of any surplus will be made in accordance with the Pharmac SOI and SPE and be reflected in the projected financial performance. Approved spending of any surpluses must be consistent with Government health objectives and Government policy.

Reporting requirements

Pharmac will comply with the reporting requirements of the Crown Entities Act 2004 (the Crown Entities Act) and provide both the responsible Minister and the Ministry with information that enables monitoring of its performance against this agreement. The responsible Minister and the Ministry will also provide Pharmac with the information it requires to fulfil its obligations under this agreement.

Pharmac will provide the responsible Minister and Ministry with a monthly performance report within 5 working days of the following Pharmac Board meeting, covering at a minimum: major schedule decisions and significant activities, issues or developments the responsible Minister or Ministry should be aware of, including any potential non-performance on matters in this letter, including financial performance, on an exception basis.

Pharmac will share Board agendas with the Ministry and will also share any Board papers requested other than where section 134 of the Crown Entities Act or section 65(3) of the Pae Ora Act applies.

Pharmac will provide quarterly performance reports to the responsible Minister and copied to the Ministry on these dates below:

Report	Period	Report due date
Quarter 1	1 July 2024 to 30 September 2024	Within 5 working days following the October Board meeting 2024
Quarter 2	1 October 2024 to 31 December 2024	Within 10 working days following the February Board meeting 2025
Quarter 3	1 January 2025 to 31 March 2025	Within 5 working days following the April Board meeting 2025
Quarter 4	1 April 2025 to 30 June 2025	Within 5 working days following the July Board meeting 2025.

Each report will include performance information for the quarter including a brief comparative analysis of performance measure results as outlined in **Appendix 1**.

Ministerial servicing

The Ministry or responsible Minister may require Pharmac to provide information on Pharmac for other Ministerial activities such as the preparation of ministerial briefings and draft speech notes, Ministerial correspondence and Select Committee inquiries and parliamentary questions. Pharmac agrees to provide the Ministry when requested, within the timeframes outlined in **Appendix 2**, subject to any legal restrictions.

Informal reports and communication

Pharmac will alert the Ministry in advance if it is unable to achieve any obligation or expectation set out in this letter or in any statement of the Government's expectations. This should include any proposed remedial action.

You will also inform my office and the Ministry in advance of any issue, risk or public comment likely to be of significance to me or the Government, relating to Pharmac and/or its performance and the proposed plan of action.

I expect Pharmac to accommodate specific requests from the Ministry, including attendance at meetings with officials. Pharmac should promptly provide the Ministry with all information within control of Pharmac in relation to this letter that the Ministry requests from time to time, during and after the term of this agreement and keep the Ministry informed on upcoming key meetings with, or information requests from, Ministers, Members of Parliament, Select Committees.

The Ministry will ensure Pharmac is consulted prior to introducing any new policy that will or may impact it significantly. The Ministry will negotiate with Pharmac, in the context of the development of its SOI, SPE, and/or this agreement, changes to the range or scope of Services to be funded and/or any changes to current funding strategies or methodologies.

The responsible Minister may review the operations and performance of Pharmac at any time, in accordance with section 132 of the Crown Entities Act. The Ministry may undertake this review, if requested to do so by the responsible Minister.

If it is proposed, Pharmac must take all reasonable steps to enable such a review to be conducted, including providing to the responsible Minister or the Ministry all applicable

information necessary for conducting a review. This provision is subject to the provisions of s 134 of the Crown Entities Act.

It is agreed that correspondence relating to matters outlined in this letter will be addressed to; Nicola.Holden@health.govt.nz and brent.mcpherson@pharmac.govt.nz

Next agreement

We will negotiate with each other in good faith with a view to entering into an agreement for the next financial year, 2025/26, prior to its commencement.

Disputes processes

If any dispute arises between Pharmac and the Ministry concerning this agreement, both will actively, openly and in good faith discuss that difference or dispute with a view to resolve it mutually. If a dispute cannot be solved, the responsible Minister will make the final decision which will be binding.

Please sign this letter to confirm your agreement and return to the Ministry. I have asked that the letter is made available on the Ministry website for public transparency purposes.

Kind regards



Hon David Seymour

Associate Minister of Health

Date: 15/12/24



Hon Paula Bennett

Chair

Pharmac

Date: 18/12/24

cc Sarah Fitt, Chief Executive, Pharmac
Dr Diana Sarfati, Director-General of Health, Ministry of Health

Appendix 1 – Reporting requirements for quarterly performance reports

Each quarterly report will, where applicable to that quarter's activity, contain details on:

- Performance against all 2024/25 deliverables.
- Progress against outcome measures, targets or indicators of success (as set out in its SPE) with the status of each measure, for example, the measures that have been achieved or have not been achieved in relation to the deliverables that fell due in that period.
- For those measures that have not been achieved, identify why they were not met, the corrective actions taken or planned and any consequences.
- A status update and description of any work that is under way for deliverables due in subsequent periods, noting the key actions commenced towards their completion.
- How Pharmac has collaborated with the Ministry of Health, Health New Zealand, and other health entities to contribute to improved performance across the reformed health system.
- A description of any other ongoing or 'as required' work that was performed during the period for deliverables with specific timeframes, for the completion of those deliverables.
- How Pharmac has responded to the Government's expectations.
- Full financial statements for all activities administered by Pharmac, including National Pharmaceuticals Purchasing and National Management of Pharmaceuticals, with explanations for significant variance and forecast full year statement of comprehensive revenue and expense (Quarters 1, 2 and 3).
- Stakeholder satisfaction/involvement.
- Use of the Legal Risk Fund, including explaining why the Fund has been used.
- Any new risks, their probability and consequence and how they are or will be managed.

Each report shall report the following staff information:

- Budgeted and actual number of staff members, and the budgeted and actual number of contractors. All staff and contractor numbers, budget and actual, will be expressed as Full Time Equivalentents (FTEs).

In addition, Pharmac will:

- Share Board agendas and copies of the minutes taken with the Ministry and will also share any Board papers requested other than where section 134 of the Crown Entities Act or section 65(3) of the Pae Ora Act applies.
- Report on how it gives effect to the Government Policy Statement on Health (GPS), contributes to achieving the desired improvements of the New Zealand Health Charter, and how it regards the health strategies outlined in the Pae Ora (Healthy Futures) Act 2022.
- Have regard to the 2024 Government Workforce Policy Statement – Employment relations in the public sector [Government-Workforce-Policy-Statement-2024.pdf \(publicservice.govt.nz\)](#)

Appendix 2 – Ministerial servicing

Request type	Response time
Ministerial briefings - general	5 working days prior to the date due at the responsible Minister's office or a date otherwise agreed with the Ministry or Minister's Office.
Speeches	As agreed with the Ministry at the time of the request.
Parliamentary questions (PQs)	Written: within two working days Oral: by 11.30am on same day as receipt.
Routine Ministerial correspondence	Within 10 working days or any other timeframe agreed with the Ministry or Minister's Office. Ministerial OIAs due 5 working days prior to sending
Select Committee enquiries	As agreed with the Ministry at the time of the request.