District Health Board Sector Asset Management Framework

Strategy 2020–2030

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# Background

This is not a stand-alone document and should be read alongside its companion documents, which are:

* *District Health Board Sector Asset Management Framework: Overview*
* *District Health Board Sector Asset Management Framework: Policy*.

Figure 1: District Health Board Sector Asset Management Framework documents

The Ministry of Health is kaitiaki (guardian) of the Health and Disability services, including in terms of the Ministry’s role over public health infrastructure. The health sector asset base is large, with a complex operating environment. The Ministry of Health differs from most central government agencies in that it funds but does not own the assets. District health boards (DHBs) own buildings and infrastructure which have a replacement value of around $24 billion, and fittings, clinical equipment and information technology which represent a similar level of investment.

New Zealand has 20 DHBs, which act as primary health care planning and delivery agents. DHB performance is variable across the system, and there have been increasing concerns about DHB capacity to deliver infrastructure projects.

Historically, there has been low investment in health infrastructure. Ageing hospitals, demographic growth and previous under-investment mean there is an unprecedented demand for investment in health infrastructure over the next 10 years. The current settings for planning and delivering health infrastructure projects are not sustainable; nor are they able to meet this demand. Although DHBs have done well in many respects in managing health services at a localised level, there is a lack of national oversight and prioritisation of what infrastructure we need now and in the future.

Based on 2018 DHB capital estimates, $14 billion of investment is required for buildings and infrastructure over the next 10 years. In 2019, the Ministry of Health estimated that $2.3 billion would be required for DHB IT[[1]](#footnote-1) over the same period.

The health system in New Zealand is likely to enter a ‘transition phase’ over the next few years as it delivers a COVID-19 response while simultaneously responding to the existing Health and Disability System Review and the creation of a new Health Infrastructure Unit.

This strategy sets out long-term expectations and direction for asset management for all involved in the public health system in New Zealand.

The Health and Disability System Review interim report noted that ‘the current state of DHB assets is not good and there is little in the way of long-term planning which can give any confidence that the problem is under control’.

The Ministry has a core level of Asset Management Maturity (assessed in the Investor Confidence Rating by Treasury in 2019) but is aiming to improve to an intermediate level over the next three years.

The Ministry will review this strategy every three years, in line with the national asset management planning cycle. The review will be subject to input from the Health Asset Management Improvement (HAMI) group and other relevant stakeholders.

# Section 1: Introduction

This Asset Management Framework: Strategy has been developed to provide a coordinated approach to asset management across New Zealand and has been developed with input from DHBs.

## Asset summary

The asset groups that this strategy covers are:

* land
* buildings
* building fitout
* services, plant, and infrastructure
* clinical equipment
* non-clinical equipment
* motor vehicles
* information and communications technology (ICT).

Financial, human, goodwill and intellectual property are out of the scope of this strategy. Assets in scope are those owned and/or operated by DHBs in New Zealand.

## The planning horizon

Asset management plans typically take a long-term view of 10–20 years, based on the lifecycles of the asset portfolio for which they have been developed. The health sector has a diverse range of assets that operate within a complex health services environment. The asset lifecycles range from three years for some ICT equipment to over 50 years for buildings and infrastructure assets. This strategy takes a 10-year view, which is in line with long-term investment planning and acknowledges that as maturity increases the planning horizon should align to asset lifecycles.

# Section 2: Organisational context

The Ministry of Health is committed to improving asset management information, processes, systems and overall asset management capability.

## External context

In May 2018, the Minister of Health announced the Government’s intention to address the poor state of health infrastructure. At that time, there was concern over the DHBs’ estimated need for a $14 billion investment over 10 years and dependence on Crown funding. As a first step to address this, the Minister commissioned a national asset management plan to establish a consistent nation-wide picture of the state of DHB assets and as a basis for forecasting the population demand for services over the medium to long term.

The COVID-19 outbreak is bringing a greater focus to health worldwide and within New Zealand. It is currently unclear what the implications of the pandemic are for asset management within the health sector systems. However, the situation has highlighted that an asset management approach is going to have significant importance to the future of the health sector and New Zealanders. For example, metrics such as intensive care unit (ICU) beds per population are likely to remain a topic of conversation and an expectation as an Asset Level of Service.

Several agencies have oversight of health sector capital investment. District health boards must seek joint approval from the Ministers of Health and Finance for investments over $10 million and where Crown funding is required (National Health Board 2011). The Capital Investment Committee (CIC) provides independent advice to these Ministers on such applications. The Ministry of Health and the Treasury provide advice to their respective Ministers and support the deliberations of the CIC.

The Ministry works collaboratively with partners in the health and disability system, including DHBs, Crown entities and other government and non-governmental organisations.

## Ministry of Health

The Ministry leads New Zealand’s health and disability system through:

* providing strategic and policy advice to the Government on health and disability issues and on the management and development of the system
* managing the health services statutory framework and regulations covering matters such as: duties and roles of key organisations; public and environmental health standards; certification of health care service providers and regulation of health professions; the safety of medicines and medical devices; and the safe manufacture, handling and prescription of medicines and controlled drugs
* purchasing services from, and overseeing the performance of, a number of state sector entities, including: 20 DHBs, the Health Quality & Safety Commission, the Health Promotion Agency, the Health Research Council of New Zealand, the New Zealand Blood Service and PHARMAC
* directly purchasing a range of health and disability support services
* leading and supporting the development of the health and disability workforce
* supporting a core national infrastructure, such as health indexes and registers, health system data and payment services, to enable efficient planning and provision of health and disability support services.

The Health Infrastructure Unit (HIU) within the Ministry of Health was formed in 2019 with a twin purpose: enhancing the Ministry’s stewardship role (leading health investment through the planning, prioritising and monitoring of projects) and standardising the way projects are designed and delivered. The goal is that the HIU will enable infrastructure projects to be completed faster, to a higher quality and to a greater environmental sustainability standard. Costs will be reduced through efficiencies, economies of scale and benefits maximisation, while simultaneously building core public service capability and capacity.

## District health boards

District health boards (DHBs) manage buildings with a replacement value of around $24 billion, and there is also considerable investment in clinical equipment and information technology (IT). Therefore, capital investment and other aspects of asset management represent a significant proportion of DHBs’ financial resources. The environment in which DHBs make decisions on capital investment and management is complicated by a mix of local, regional and national considerations.

District health boards operate with an accumulated under-investment in assets; many consider their assets to be in poor condition and no longer fit for purpose. Challenges to solving these issues include financial constraints, decreasing capacity in the construction sector and the lack of a national evidence-based prioritisation framework. Further, there are competing demands on DHB funds as an ageing population results in increasing clinical complexity, and health and digital technologies continue to develop.

The New Zealand Health Strategy aims is to leverage new technologies and models of care to deliver more services in outpatient and community settings, rather than in hospitals. However, the strategy also anticipates that population ageing will increase the demand for certain health services including hospital care (Minister of Health 2016).

## Evolution of asset management in the health sector

The National Asset Management Programme is part of a government-wide agenda to improve the quality of asset management and long-term investment plans. Other large agencies have been building their capability in asset management, such as the Ministry of Defence, NZ Transport Agency, the Ministry of Education, Department of Corrections and Kāinga Ora, have been building their capability in asset management.

There have also been initiatives to encourage improvement in asset management and long-term investment plans. The Office of the Auditor General (OAG) provides the Government with independent assurance about the district health boards asset management and financial performance. The Health Asset Management Improvement (HAMI) group is a forum designed to encourage improvement of and share knowledge about asset management in the health sector.

The Treasury has used the three-yearly Investor Confidence Rating (ICR) to assess the quality of financial and asset management practices for capital-intensive agencies (including seven DHBs and the Ministry of Health itself) in managing investments and assets that are critical to the delivery of New Zealand government services (Cabinet Office circular CO (19) 6). The ICR is an assessment of the performance of investment intensive agencies in managing investments and assets that are critical to the delivery of NZ government services and provides a level of confidence to investors about the agency’s capability to realise a promised investment

The ICR process provides feedback to agencies on improvement actions they can take to uplift key aspects of their investment management capability and performance. Over time, these actions position agencies to manage future investments and assets more effectively. The ICR is made up of five lead performance indicators and four lag indicators. Of relevance to asset management activity, ‘Asset Management Maturity’ is a lead indicator, and ‘Asset Performance’ is a lag indicator.

This District Health Board Sector Asset Management Framework: Strategy is a key part of a suite of asset management documents developed to improve asset management maturity for the Ministry of Health and DHBs as they produce their own asset management policies and strategies.

Further information on the ICR, including past results can be found at:  
<http://www.treasury.govt.nz/statesector/investmentmanagement/review/icr>

The high importance recommendations from the 2019 ICR [CAB-19-SUB-0060] have been considered in this District Health Board Sector Asset Management Framework: Strategy.

Sustained attention to asset management and Long-Term Investment Plans is essential to build health sector capability. As outlined below, the journey to publishing the NAMP Report 1: current state assessment began with the introduction of asset management plans for DHBs in 2009. The NAMP has evolved from the accumulated effort since then, with the second report and plan due in 2022.

Table 1: NAMP evolution, 2009 to present

|  |  |
| --- | --- |
| **Year** | **Initiative** |
| 2009 | Introduction of asset management plans for DHBs |
| 2011 | CIC established and regional plans introduced |
| 2014–15 | Treasury and Ministry of Health review Asset Management Maturity |
| 2015 | HAMI group established |
| 2015 | ICR introduced |
| 2016 | OAG reports that DHB asset management is immature |
| 2017 | Long-term investment plans introduced for DHBs |
| 2018 | 18 long-term plans submitted to the Ministry of Health |
| 2018 | First long-term investment plan for the Northern Region produced |
| 2017–19 | Two rounds of ICR assessment for seven DHBs and the Ministry |
| 2018–19 | First NAMP assessments undertaken |
| 2020 | NAMP Report 1: Draft current state assessment |
| 2020–2021 | NAMP Phase 2 programme of work |
| 2022 | NAMP second report: National Asset Management Plan |

Source: Ministry of Health 2020

## Legislative and regulatory environment

The New Zealand health and disability system statutory framework is made up of over 20 pieces of legislation. The most significant are:

* the New Zealand Public Health and Disability Act 2000
* the Health Act 1956
* the Crown Entities Act 2004
* the Medicines Act 1981.

The DHBs’ and their shared service providers’ core purpose remains to deliver health services, the assets required to do this are subject to a number of key legislative and regulatory requirements, including but not limited to:

* the Resource Management Act 1919 and Amendments
* the Health and Safety at Work Act 2015
* the Building Act 2004
* the Property Law Act 2007
* the Electricity Act 1992
* the Radiation Safety Act 2016.

## Commercial environment

A Crown Funding Agreement (CFA) is an output agreement between the Crown and a DHB. The Crown (the Minister of Health) agrees to provide funding in return for service provision as specified in the CFA. The CFA links a DHB’s annual plan to the funding and performance requirements of the DHB.

The Health Capital Budget is used to fund the health sector capital requirements.

District health boards are expected, over time, to align local and regional service plans and local and regional asset management plans. This will be outlined in the DHB annual planning guidelines and Operational Policy Framework. The Ministry of Health will use this information to develop a national overview of asset management and to develop a National Asset Management Plan (the NAMP). This is an iterative process, which will develop and improve with time.

## Social, economic and natural environment

‘Sustainability’ means operating in a way that meets people’s needs without jeopardising the fabric of the social community, the economy or the natural environment, so that future generations continue to be able to meet their needs. It is about long-term thinking.

The Ministry of Health acknowledges that a healthy natural environment and a well-constructed built environment results in a positive impact on overall community health through improved mental health and wellbeing, improved opportunities for physical activity, improved social contact and improved children’s development.

# Section 3: Issues, risks and challenges

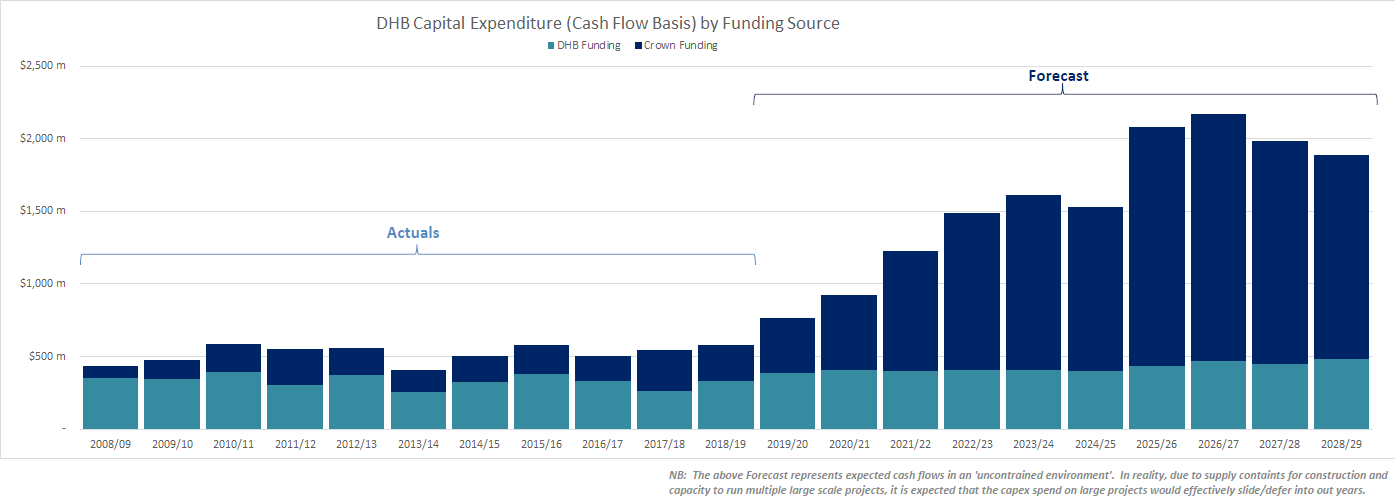
New Zealand is growing and changing at an unprecedented rate. The demand for health care associated with our growing, ageing and changing population will quickly outstrip our ability to deliver health services under current models of care.

District health boards have a large degree of autonomy in relation to asset management and service delivery. Even so, DHBs rely heavily on central government funding to build new assets and replace major assets. The Ministry is unique in being one of the only agencies to fund but not own the assets.

Until recently, DHBs have led infrastructure projects, and still lead the majority of projects. DHBs have triggered the redevelopment process by seeking funding for health infrastructure business cases. What has been approved has essentially been demand-driven, subject to funding. However, there is varied capability for initiating major infrastructure projects across DHBs.

The Ministry is committed to designing a more systemic approach to the planning and delivery of health infrastructure. To this end, the HIU will allow some central capability for project delivery. A centralised planning and monitoring of assets approach will provide better, evidence-based information, improving prioritisation of the pipeline of investments and strengthening the Ministry’s investment management stewardship role.

Figure 2: District health board capital expenditure (cash flow basis) by funding source



Note: The above forecast represents expected cash flows in an ‘unconstrained environment’. In reality, due to supply constraints for construction and capacity to run multiple large scale projects, it is expected that the capex spend on large projects would effectively slide/defer into out years.

Source: Establishment of the Health Infrastructure Unit

Over the next 10 years, the Government is expected to contribute a large portion of the estimated $14 billion required for DHB infrastructure development. This unprecedented financial requirement is a result of prolonged under-investment in health operating expenditure, which has placed considerable constraints on DHBs to prioritise immediate service delivery and defer investment in facilities, maintenance and remediation.

The current health infrastructure portfolio includes 1,200 buildings over 30 campuses. Drivers of the expected increase in demand for capital investment are:

* a large amount of post-war infrastructure that requires rebuilding/replacement
* seismic assessments revealing the need for remediation or replacement of assets
* leaky buildings
* under-investment from previous governments
* underestimated asset depreciation
* population growth (particularly in the Northern region).

Capital expenditure encompasses more than just building costs; it includes investment in clinical equipment, software, IT infrastructure, models of care and change management needed to improve health outcomes.

# Section 4: Asset management goals and objectives

Asset management goals and objectives are set by individual organisations, consistent with organisational objectives and asset management policy, to achieve specific measurable results (ISO 55000:2014).

Organisations must respond to the particular asset management challenges derived from the issues, risks and challenges faced by the organisation.

Figure 3: Factors contributing to asset management goals and objectives

## Health strategy

The New Zealand Health Strategy 2016 provides the following guiding principles and strategic themes for the health system, reflecting the values of New Zealanders and their expectations of the system.

### Guiding principles

* + - 1. Acknowledging the special relationship between Māori and the Crown under the Treaty of Waitangi
      2. The best health and wellbeing possible for all New Zealanders throughout their lives
      3. An improvement in health status of those currently disadvantaged
      4. Collaborative health promotion, rehabilitation and disease and injury prevention by all sectors
      5. Timely and equitable access for all New Zealanders to a comprehensive range of health and disability services, regardless of ability to pay
      6. A high-performing system in which people have confidence
      7. Active partnership with people and communities at all levels
      8. Thinking beyond narrow definitions of health and collaborating with others to achieve wellbeing

### Strategic themes

Table 2: Health Strategy strategic themes

| **Strategic theme** | **Implications for asset management** |
| --- | --- |
| People powered | * Technology tools such as mobile devices, smartphones and wearable devices are options for everyone to use. * New Zealand has a reputation for having innovative and effective health and disability services that are designed with the input of the people who use them. * People receive high-quality, timely and appropriate services in the most convenient way, from the most appropriate service provider. |
| Closer to home | * People are safe, well and healthy in their own homes, schools, workplaces and communities. * We have adapted the way our services are configured (at all levels) so that we can achieve efficiencies of scale where appropriate and take advantage of cross-government partnerships, as well as public and private partnerships. |
| Value and high performance | * The health system provides high-quality, accessible health services that help people live well, stay well, get well, at the lowest cost it can and within the resources available. * The system uses its resources skilfully so that services reach people who need them. As a result, people trust the system and it is more sustainable both financially and clinically. * All New Zealanders enjoy good health, and population groups that were previously disadvantaged, such as Māori, Pacific peoples and people with disabilities, experience a clear lift in health outcomes. * All involved in delivering and supporting services strive for excellence and improvement, supported by evidence, research and analysis. * The health system has an operating model that clarifies relevant policies, legislation, regulations, guidelines, standards, roles and responsibilities, funding arrangements, systems and processes, and strategic direction. The model allows all parts of the system to play their roles effectively and efficiently. * Funding approaches consider a range of ‘bottom lines’ as part of the system’s commitment to a social investment approach. * The health system constantly monitors its performance and scans the environment to check that it is functioning well, maintaining its strategic direction and responding to changes. |
| One team | * The health system is more than the sum of its parts; each part knows its role and works to achieve the aims of the system as a whole. * We invest in the capability and capacity of our workforce, and make sure that investment fosters leadership, flexibility and sustainability. * The Ministry of Health is an excellent steward and system leader, playing its role effectively as part of the wider health and disability system, and partnering with other sectors. |
| Smart system | * A culture of enquiry and improvement exists throughout the health system, which has seamless links to research communities. The system learns and shares knowledge and innovation rapidly and widely. * Data is used consistently and reliably, with appropriate safeguards, to continuously improve services. |

## Asset management goals and objectives

In response to the Asset Management Policy, Strategic Objectives and challenges, the Ministry of Health has developed a set of specific National Asset Management Programme goals and objectives. These have been formulated with input from the HAMI group and the Northern Regional Alliance. They are as follows.

### Goals

* + - 1. Develop and maintain an evidence-based national asset management plan, including sustainable and equitable asset levels of service and strategic scenarios for investment for at least 10 years ahead.
      2. Meet the government’s ‘no surprises’ obligation by leading the identification, reporting and mitigation of infrastructure asset risks.
      3. Improve the practice of asset management across the Ministry and DHBs.
      4. Provide guidance and governance to ensure critical assets are managed and maintained to be fit for purpose to deliver the expected health care service.

### Objectives

* **Leadership:** Lead the development of an asset management framework that contains best practice guidance to improve asset management and enable consistent asset management practice across the Ministry and DHBs.
* **National asset levels of service:** Establish national asset levels of service for groups of assets, aligned to strategic health outcomes, to determine sustainable and equitable investment priorities.
* **National evidence base:** Capture and maintain robust current state asset data consistent with the asset management framework and data standards.
* **Evidence-based decisions:** Make sound, transparent, timely recommendations on asset management and investments to optimise strategic health priorities, asset levels of service and whole-of-life costs for different asset types.
* **Risk management:** Proactively identify, monitor and report asset management risks, and make recommendations to remediate risks for regulatory and contractual compliance, along with asset and financial performance.
* **Asset audit and assurance:** Establish an audit and assurance programme to ensure DHBs are meeting asset management standards including in terms of asset quality; regulatory compliance; business continuity; and health and safety obligations for their patients, staff and visitors.
* **Sustainability:** Ensure that sustainability is embedded in asset management practice to contribute to economic, social and environmental wellbeing for future generations.
* **Continuous improvement:** Continuously improve the NAMP and DHB asset management capability, skills and practices to achieve appropriate asset management based on best practice.
* **Engagement:** Be transparent, actively listen and collaborate with DHBs and other stakeholders.

# Section 5: Asset management approach

The Government has set clear objectives to have asset management plans in place to guide strategic, tactical and operational choices under Cabinet Office circular CO (19) 6. This asset management strategy is a key part of delivering on fulfilment of these requirements.

## Achieving the objectives

The following section outlines key activities the Ministry plans to take to achieve asset management objectives.

The Ministry, working with the CIC, plans to:

* + - 1. develop an asset management policy and strategy for the Ministry of Health and guide the sector in the development of regional and local DHB policies and strategies
      2. develop the comprehensive work programme required to develop the NAMP, in consultation with the HAMI group
      3. continue to refine the data and presentation in the Health Asset Register Tool (HART) and make it available to appropriate DHB staff
      4. monitor DHBs in terms of documenting plans to remediate any significant issues identified as part of the condition and clinical facility fitness-for-purpose assessments
      5. develop analytic and narrative for each DHB including campus data
      6. deliver a second report in the series ‘a National Asset Management Plan’ in February 2022 (with a reduced scope) to be delivered within existing resources.

To successfully implement these actions the Ministry proposes the following:

* **Asset management capability building at DHBs:** Sector training, targeted funding to DHBs, funding for DHBs to improve the qualifications and skills of staff, and an asset management workforce plan and staff pipeline.
* **Asset management enablers:** Further development of a national asset management tool to consolidate data and the associated data standards and protocols to allow asset and facility data to be viewed nationally. This will incentivise consistent practice and make the best use of expertise and effort across the sector.
* **Specialised structural engineering assessments:** Completion of Detailed Seismic Assessments (DSAs) on critical buildings that have not been recently undertaken. In addition, completion of further work to expand the building resilience assessments (to quantify the ability of critical buildings to operate after an event) as DSAs and percentage of New Build Standards (%NBS) only quantify the loss of life during an event due to building failure, not buildings ability to support service continuity.
* **Specialised asset condition assessments:** Further roll-out of condition and functionality assessments across the health sector, and a continuing programme of rolling condition assessments undertaken by qualified engineers and functionality specialists. This includes work with DHBs to design and implement assessments for clinical equipment and information technology.
* **Asset management staff at the Ministry of Health:** The Asset Management and Analysis team in Health Infrastructure Unit (HIU) will work collaboratively with DHBs on a comprehensive national asset management programme, including development and update of national, DHB and facility asset management plans to deliver strategic, tactical and operational asset management. This will include an asset management assurance function to monitor progress and actual practice at facility level. The team will set national frameworks and develop tools, consolidate information and provide advice on the future investment pipeline from an asset management perspective.

The NAMP is part of a government-wide focus to improve the quality of capital funding decisions, asset management and long-term investment outcomes, in which the primary objective is to deliver the best value from new and existing investments for generations of New Zealanders. The Government has set clear objectives to have asset management plans in place to guide strategic, tactical and operational choices under Cabinet Office circular CO (19) 6. This asset management strategy is a key part of delivering on these requirements.

The work programme provided to the HAMI forum on 14 April 2020 has been revised to reflect that the Asset Management and Analysis team in Health Infrastructure Unit (HIU) were unsuccessful with the 2020/21 Budget Bid. The revised work programme in Table 3 is based on what the Ministry can realistically achieve with agreed resources and assuming a minimal consultancy budget.

Table 3: National Asset Management Programme work streams

| **Work stream** | **Deliverables** | **Purpose** |
| --- | --- | --- |
| District Health Board Sector Asset Management Framework | Overview document | Sets out what we are going to do and how the District Health Board Sector Asset Management Framework will work in practice (contextual overview), with framework documents listed. |
| Policy | Policy document signed by the Director-General (or delegate) that outlines the principles, roles and responsibilities for DHB asset management planning.  Provides a mandate at board level for asset management. |
| Strategy | Documents the approach to asset management planning and processes and sets out improvement actions. |
| Levels of service | Levels of service section for NAMP  Performance measures for reporting | Develop a national set of asset levels of service to assess performance across the country. |
| Asset Management capability | Asset management plan template (for DHBs) | Develop a fit-for-purpose asset management plan template and guidance for DHBs to make it easier to complete consistent plans. |
| Asset management plan template (for DHBs) | Establish guidance on asset management approach and share practice. |
| National Asset Management Plan | Report 1: Current state assessment report | This report presented findings from across asset assessments and provided a current state report on DHB assets. *Complete.* |
| National Asset Management Plan | Develop a portfolio view over multiple time periods to inform investment decisions.  Provide a clearer picture of which are critical assets, the state they are in and their expected remaining life.  Provide a common basis for assessing DHB future asset requirements and performance. |
| Risk and assurance | Risk and assurance programme | Transparently monitor and report on compliance (regulatory and statutory requirements), risk and resilience levels in relation to the built environment and critical infrastructure assets. |
| Data and information | HART enhancements and maintenance | Further develop a national asset management tool to consolidate data and the associated data standards and protocols to allow asset and facility data to be viewed nationally.  Produce a narrative and pictorial summary of the current state of assets for each DHB on an A3. |
| Asset assessments | Clinical facilities fitness for purpose (CFFFP) assessment | Assess the relative fitness for purpose of specific clinical facilities (mental health and forensic) based on model of care and criteria. |
| ICT and Clinical Equipment assessments – assessment criteria and assessments | Identify an evidence base of current state compared to target asset levels of service. |
| HAMI group/ Sector engagement | Ongoing upskilling of asset management best practice via the HAMI forum and health sector engagement | Facilitate the HAMI group delivering on its mandate to help DHBs improve their asset management practices, including the Ministry of Health taking more a proactive approach to identify, share and implement the lessons from the leaders of DHB asset management. |

The unsuccessful budget bid means that the following deliverables will not be progressed:

* further building and infrastructure assessments
* Clinical Facility Fitness for Purpose assessments (other than stage 2, currently under way)
* seismic assessments (although DHBs should be undertaking these as required)
* asset management capability improvement initiatives (the training and competency work streams)
* monitoring the Risk and Assurance programme
* asset register enhancements (HART tool)
* exploration of the feasibility of a long-term asset register solution

The following work streams will be progressed but at a slower pace and/or with reduced scope or coverage:

* NAMP Report 2, now due in 2022, which will also have a reduced scope in line with resourcing
* asset levels of service (coverage will be reduced)
* information communications technology (ICT) and clinical equipment (CE) work (coverage will be reduced).

# Section 6: Audit, improvement and review

The national focus is on ensuring asset management practices are ‘appropriate’ to business objectives and government requirements.

## Audit

The primary vehicle for auditing of the Ministry of Health’s asset management capability is the Treasury’s Investor Confidence Rating (ICR) Asset Management Maturity Assessment (AMMA) which is undertaken on a three-yearly cycle for asset intensive agencies. The primary purpose of the reviews is to provide independent feedback to DHBs for asset management improvements.

## Improvement

The Ministry of Health is committed to improving asset management information, processes, systems and overall asset management capability. The national focus is on ensuring asset management practices are appropriate to business objectives and government requirements.

## Review period

The Ministry will review this strategy every three years, in line with the national asset management planning cycle or when major changes to the planning frameworks and expectations are made. The review will be subject to input from the HAMI group and other relevant stakeholders.

# Glossary of terms

**Asset management:** The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner.

**Asset Management Framework:** The national framework used to develop, direct, coordinate and control asset management activities, and align those activities with organisational objectives. The elements of this should be viewed as a set of tools, including policies, plans, business processes and information systems that are integrated to give assurance that the asset management activities will be delivered.

**Asset Management Policy:** A document that broadly outlines the principles and mandated requirements for undertaking asset management across an organisation in a systematic and coordinated way, consistent with the organisation’s strategic plan. It provides the framework for the asset management strategy and the asset management plan.

**Asset Management Strategy:** A strategy for asset management covering the development and implementation of plans and programmes for asset creation, operation, maintenance, renewal, disposal and performance monitoring to ensure that the desired levels of service and other operational objectives are achieved at optimum cost.

**Asset management plan:** An organisation’s Long-Term Plan (usually covering 10–20 years or more, for infrastructure assets) that outlines the asset activities and programmes for each service area and the resources applied to provide a defined level of service in the most cost-effective way.

**Capital investment:** Funds used to create new assets or to increase the capability of existing assets beyond their original design capacity or service potential. It increases the fair value of the asset.

**Components:** Specific parts of an asset having independent physical or functional identities and having specific attributes such as life expectancy, maintenance regimes, risk or criticality.

**Condition monitoring:** A continuous or periodic inspection, assessment or measurement and interpretation of the resultant data to indicate the condition of a specific component of an asset, to determine the need for some preventative, remedial or renewal/refurbishment action at a given or indicated point in time.

**Critical asset:** An asset for which the financial, business, patient care or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action than non-critical assets.

**Criticality Risk Rating:** A rating assigned to an asset using predetermined risk statements ranging from catastrophic to no risk. The resultant categorising against each of the assets weighted attributes provides a rating within a range of risk from 1 through to 5.

**Depreciation:** The wearing out, consumption or other loss of value of an asset, whether arising from use, passing of time or obsolescence through technology and market changes. It is accounted for by the allocation of the historical cost (or revalued amount) of the asset less its residual value over its useful life.

**Enablers:** The organisational resources, structures, plans, systems and tools that enable the implementation of the asset management framework.

**Facilities management:** A profession that encompasses multiple disciplines to ensure the functionality of the built environment by integrating people, place, process and technology.

**Health Asset Management Improvement (HAMI)** **group:** A forum designed to encourage improvement and share knowledge of asset management in the health sector.

**Information Systems Strategic Plan:** A guiding strategy for planning and implementing new information communication technology (ICT) initiatives.

**Level of service (LoS):** The defined service quality for a particular activity (for example, cancer services) or service area (for example, patient beds) against which service performance may be measured. Levels of service usually relate to quality, quantity, reliability, responsiveness, environmental acceptability and cost, and relate to the asset that enables the service rather than the health output.

**Lifecycle:** The cycle of activities that an asset goes through while it retains an identity as a particular asset; that is, from planning and design to decommissioning or disposal.

**Maintenance:** All actions necessary for retaining an asset as near as practicable to its original condition, excluding rehabilitation or renewal.

**National Asset Management Plan (NAMP):** The Ministry of Health’s national long-term asset management strategy for DHBs including a prioritised plan of assets and investments over the next 10 years.

**National Asset Management Programme:** A package of related work within the Ministry of Health to produce a 10-year prioritised pipeline of capital investments for DHBs, and to improve asset management performance and capability across DHBs.

**Performance measure:** A qualitative or quantitative measure of a service or activity used to compare actual performance against a standard or other target. Performance indicators commonly relate to statutory limits, safety, responsiveness, cost, comfort, asset performance, reliability, efficiency, environmental protection and customer satisfaction.

**Renewal:** Work to rebuild or replace parts or components of an asset, to restore it to a required functional condition and extend its use, which may include some modification, so the asset can meet a new minimum level of service requirement.

**Risk management:** The application of a formal process to the range of possible values relating to key factors associated with a risk to determine the resultant ranges of outcomes and their probability of occurrence.

**System:** A complete self-supporting group of subsystems, components and elements.

**Whole-of-life cost:** Sometimes referred to as ‘total cost of ownership’; the total cost of an asset throughout its life, including planning, design, procurement, construction, operation, maintenance, and rehabilitation and disposal costs.

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1. This estimate for IT was calculated from DHB operating expenditure during 2018/19 and allows for an additional 2.2 percent funding per annum required to lift investment to the benchmark levels identified in the Deloitte (2015) independent review of New Zealand’s electronic health records strategy. [↑](#footnote-ref-1)