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The National Asset Management Programme for district health boards

Report 1: The
current-state assessment

June 2020

5th

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National asset management programme documents

Author	Title	Date
Beca Group	NAMP lessons learnt workshop	2019
Rider Levett Bucknall	All-in ROC ¹ estimates	2019
Beca Group	NAMP methodology for rating seismic resilience	2019
Kestral Group	Background information on seismic risk and seismic assessment	2019
Beca Group	NAMP DHB ² asset condition self-assessment: Data standard and methodology	2019
Beca Group	31 DHB campus assessment reports	2019
Ministry of Health	20 DHB clinical facility fitness for purpose reports	2019
Ministry of Health	Workshops: Introduction to asset management: Writing, living, updating asset management plans	2019
Ministry of Health	Clinical facility fitness for purpose: Assessment tool and methodology	2019
Beca Group	NAMP asset condition survey: Data standard and methodology	2019
Ministry of Health	NAMP updates for district health boards	2018-19
Morrison Low	National asset register: Feasibility report	2018
DHB Working Group	Asset conditions workshop presentation	2018
Ministry of Health	Guidelines for critical and priority buildings and infrastructure in the district health boards and the health sector	2018
Ministry of Health	Asset management plan: Project management plan	2018

¹ ROC = rough order of cost

² DHB = district health board

Asset management source documents

Author	Title	Date
New Zealand Health and Disability review	Interim report: Section 10: System enablers	2019
OAG ³	District health boards' response to asset management requirements since 2009	2016
OAG	Reflections from our audits: Investment and asset management	2017
Audit New Zealand	Asset management and long-term planning: Learning from audit findings 2015 to 2017	2017
Cabinet Office	CO (19) 6: Investment management and asset performance in the state services	2019
OAG	Managing public assets: Discussion paper	2013
King's Fund	Clicks and mortar: Technology and the NHS estate	2019
NSW ⁴ Audit Office	New South Wales Auditor-General's Report: Performance audit: Medical equipment in NSW public hospitals	2017
The Center for Health Design	A guide to clinic design post-occupancy evaluation toolkit	2015
Fronczek-Munter, A	Evaluation methods for hospital facilities	2013
Victorian Government	Medical equipment asset management framework	2012
OECD ⁵	Sizing up the challenge ahead: Future demographic trends and long-term care costs	2011
WHO ⁶ Rechel et al	Investing in Hospitals of the Future	2009
NHS ⁷ estates	Assets in action: An asset management guide for non-technical managers	2003

³ OAG = Office of the Auditor-General

⁴ NSW = New South Wales

⁵ OECD = Organisation for Economic Co-operation and Development

⁶ WHO = World Health Organisation

⁷ NHS = National Health Service

Executive summary

Context

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 make a significant call on financial resources. Further, the decision-making environment for capital investment and management is complicated by a mix of local, regional and national considerations. //

As noted in the Health and Disability System Review interim report (2019, p 263), '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.' Resources have tended to be directed to managing short-term operational pressures, rather than to plan for and invest in longer-term sustainable solutions, including infrastructure. P

And it is not just a matter of remediating the accumulated investment deficit; we need to build the capability to support system transformation, especially as models of care evolve, including the advances in clinical equipment and technology that enable shorter hospital stays and more community-based care. In addition, a growing and ageing population will continue to see increased demand for both hospital and community services.

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 a requirement for \$2.3 billion for DHB IT⁸ over the same period. The development of a Health National Asset Management Programme (NAMP) is a key initiative to improve the planning and management of health assets. The NAMP process began in 2018–19 to establish a national long-term investment plan founded on a consistent nationwide approach to asset management. This current-state assessment report is the first deliverable, which will be followed by a full National Asset Management Plan with investment scenarios in 2022. //

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 (6) 2019. This circular specifies all aspects of the investment lifecycle for assets and applies to DHBs along with other government agencies. The NAMP is intended to guide strategic investment choices at a sector level, and it is

⁸ This estimate for IT was calculated from DHB operating expenditure during 2018/19, allowing for 2.2 percent additional 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.

expected that, over time, it will provide a consolidated picture of the DHBs' asset management plans.

What does this plan do?

Work to date focuses on bringing together the current state into a national asset register. It provides a consistent picture of the condition, fitness for purpose and deployment of critical assets, including buildings, infrastructure, clinical facilities and IT.

In doing so, this initiative introduces consistent standards for the assessment of asset condition, functionality and consolidation of asset types. It provides a basis for moving towards national prioritisation of investment decisions that meet the Government's wider budget and wellbeing priorities. The current-state assessment provides the framework to evolve into a national asset plan once asset levels of service are identified to inform investment scenarios.

The NAMP has introduced the following enablers to strengthen health sector asset management capability:

- the Health Asset Register Tool (HART), which is a repository for information on DHB-owned buildings, infrastructure, clinical facilities and the capacity of inpatient beds
- a criticality matrix to determine the relative importance of hospital buildings for health services and compliance with the Building Act 2004
- guidelines for consistent condition assessments of hospital buildings and infrastructure that inform both professional assessments and DHB self-assessments
- a methodology to determine the fitness for purpose of clinical facilities that strengthens understanding of the requirements for size, layout and accommodation of new health technologies
- guidelines on seismic risk and a method for assessment of structural resilience that is currently under pilot
- indicative standard costs for refurbishment and replacement of facilities to allow consistent cost estimates in future investment plans
- initial asset management awareness training that was well received and should be continued, alongside revitalisation of the Health Assessment Management Improvement group of health sector asset managers.

This is a significant body of work that is a step-change for health sector asset management capability and long-term investment planning. It will be evolved through future assessments and the development of asset management and investment plans. DHBs have welcomed and embraced the guidelines to date and collaborated on all the assessments.

Not all of the 2019/20 work completed is represented in this report. Other work on the assessment methods and guidelines contributes to the health sector asset management framework and provides a foundation for the asset management plan. The document list at the front of this report includes other reports and material that have been produced by the programme.

This current-state assessment provides evidence to determine the relative investment priorities, which include:

- sitewide infrastructure (eg, pipes and electrical power)
- building operability (eg, passive fire separation)
- mental health and intensive care units, including the fitness for purpose, condition and maintenance of facilities
- core IT applications, including financial management, patient administration and pharmacy management systems.

Public-facing facilities are generally in better condition than the infrastructure, facilities and systems where the condition is less immediately evident.

What does this current-state assessment not (yet) do?

The initial work in this current-state assessment lays the foundation for improving the quality of capital funding decisions, asset management and long-term capital investment to contribute to better outcomes across the health sector. Ongoing work is required to develop a framework for prioritising capital funding and understanding long-term investment requirements. A work programme is being developed and a key checkpoint will be the future delivery of a formal National Asset Management Plan.

We now have a consistent view of the major health facilities, which alongside the other investment management functions currently in development, will support a more robust national investment plan. The other drivers of investment planning to support the NAMP will be national service design and facility standards, settings, frameworks and guidance. As the programme and plan evolve, it will enable the health and construction sectors to develop their capacity and readiness with more certainty.

A key principle of asset management is to develop targets that define the asset levels of service, which is necessary to ensure each asset meets the design and condition requirements to support the needs of health service delivery. An investment plan and/or scenarios will be developed to cost the 'gap' between the current and target asset levels of service. The work to date provides a good assessment of the current state of assets, but targets for asset levels of service have not yet been identified.

Scope of the review

Table 1 sets out the scope of the assets included in the 2018–19 assessments.

Table 1: Scope of 2019 asset assessments

Asset type	In-scope	Not included in this current-state assessment
166 buildings	Expert assessments: Condition of 166 buildings at main hospital campuses built pre-2000.	Health-owned buildings not at main hospital and facility campus sites.
933 buildings	Self-assessments: all 933 other buildings.	Leased property (that DHBs occupy but do not own).
80 clinical facilities <ul style="list-style-type: none"> • 56 acute pathway units • 24 mental health units 	52 units = 50% of acute pathway units (emergency departments, operating theatre suites, intensive care units) and 19 inpatient units in pre-2000 buildings, along with 4 control units in newer buildings. 23 units = 50% of mostly acute mental health inpatient units in buildings pre-2009, 1 control unit in a newer building.	Acute pathway units in post-2000 buildings, most inpatient units and all other types of clinical facilities. Other 50% of mental health inpatient units, 100% of forensic mental health units.
Infrastructure – 31 main campuses	All sitewide reticulated infrastructure (ie, plumbing, electrical, mechanical) except at Dunedin and Whakatāne hospitals.	Siteworks, roading, carparks, open spaces. Reticulated infrastructure at other locations.
Information technology	5 core applications at each DHB. Northern region IT infrastructure, data centres, networks and security (healthAlliance and Northland, Waitematā, Auckland and Counties Manukau DHBs).	Other core applications at DHBs. IT infrastructure, networks and security at the other DHBs.
Clinical equipment		Clinical equipment (will be included in future NAMP reports).
Other minor assets		All minor assets (according to criticality and materiality will be included in future reports).

What did the work find?

The results of the current-state assessment (the review) carried out as part of the NAMP are outlined below in respect of buildings and infrastructure, older clinical facilities and IT. Several factors contributed to the results, including:

- health sector weakness in asset management
- the prioritisation of expenditure on operational rather than capital requirements, which has led to a significant backlog of deferred maintenance
- the demands of rapidly changing health technologies
- the inability of DHBs to adapt quickly enough to changing demands.

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The current-state assessment of DHB assets is the first consistent nationwide report on the condition and clinical fitness for purpose of DHB facilities and buildings, with a focus on main hospital campuses and acute care facilities.



The findings are not unexpected given the accumulated under-investment in this area. Over the next decade, DHB infrastructure is expected to require \$14 billion in funding.

To date, the Government has invested a record \$4.2 billion into DHB capital projects.

More about the [National Asset Management Programme](#) ([/our-work/health-infrastructure-unit-hiu/asset-management-and-analysis](#)).



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