



Summary of our report

District health boards' response to asset management requirements since 2009



All of us will have contact with the services of a district health board (DHB) at some time in our lives, many of us at numerous times throughout our lives. We depend on health services and expect them to be available to us when and where we need them.

Physical assets (such as hospital buildings and clinical equipment) are integral to the health services DHBs deliver. Sound management of DHBs' physical assets is critical to New Zealand's future, as well as to each of us individually. In 2015, DHBs had \$5.7 billion invested in physical assets and more than \$6 billion of planned capital spending during the next 10 years.

DHBs are strongly focused on delivering short-term results within a challenging operating environment and financial constraints.

But the health system is facing serious challenges from a rising demand for services and for access to better technologies, exacerbated by an ageing population. To deal with these challenges, the health sector and each DHB will need to take a longer-term perspective on health services and the associated capital investment and asset management.

We first reported on DHB asset management in 2009/10, when DHBs were given new requirements to document their approach to asset management. When we looked in 2013 at asset management practices in 340 public entities, we found that health assets had some of the lowest condition ratings of all public sector assets. Therefore, we decided that it was important to keep a focus on DHBs' asset management.

Asset management practices

We found that DHB asset management does not seem to have gained much traction since 2009. For example:

- About two-thirds of DHBs are unlikely to have substantively updated their asset management plans since 2009.
- DHBs tend not to specify the levels of service they expect from their assets, so their reporting on asset performance is generally weak.
- Many DHBs do not make full use of their asset management information systems.

Vital statistics:

- 58 pages
- Presented to Parliament on Wednesday 9 June 2016
- Contact: reports@oag.govt.nz

- DHBs generally do not systematically collect, maintain, analyse, and use asset information – such as about age, condition, and performance – particularly for clinical equipment.
- More than half of the DHBs do not regularly reconcile the information held in their asset management and financial information systems.
- There is limited reporting to governors and senior managers about asset performance and condition.

Looking over seven years of DHBs' financial statements, we found that fewer than half of the DHBs are spending money on assets at levels that characterise good financial and asset management. For instance:

- There has been sizeable over-budgeting or underspending of capital, suggesting that DHBs might not be investing the capital needed to deliver their services in the future.
- Almost half of DHBs' capital expenditure is funded externally rather than from operating cash flows, indicating that DHBs rely heavily on funding from the Crown to renew or replace assets.
- Some DHBs are not renewing or replacing assets over time.

These results led us to ask how well positioned DHBs are to support future service delivery.

Expectations for the future

We expect each DHB to give more attention to management of their assets. We have been assured by a number of DHBs that they are working on this. We will continue to monitor DHBs' asset management.

We would like to see more effort made to identify, share, and implement lessons from the leaders of DHB asset management, with support from the Ministry of Health and the Treasury. We are told that a group has been formed to do this.

We also expect the Ministry of Health and the Treasury to help DHBs improve their asset management practices. We understand this is being implemented. Work should include reviewing the interaction of service, funding, and asset planning, and management and reporting expectations, to provide incentives for DHBs to balance short-term results with longer-term service and asset management needs. We will watch progress with interest.

We made six recommendations.