

Initial Guidance for the Preparation of Long Term Investment Plans in the Health Sector

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Purpose

This document provides guidance on the content expected to be provided in a health-sector Long Term Investment Plan. The document builds on the generic LTIP guidance provided by Treasury (see

<http://www.treasury.govt.nz/statesector/investmentmanagement/think/ltip/guidance>).

Note: items that are *italicised* in this document are extracts from the Treasury documentation.

Background

LTIPs are part of the new Treasury system for monitoring investments across government, the Investment Management and Asset Performance (IMAP) system. The IMAP system took effect from July 2015.

Timelines and Process

All DHBs are required to complete an LTIP.

Treasury's process initially only applies to selected "investment intensive" agencies, including eight DHBs: However, in order to ensure consistency in reporting from the sector, the Ministry will apply the LTIP process to all DHBs (replacing the current requirement for a Regional Capital Plan). A phased approach will be adopted for the non-investment intensive agencies, to allow sector learning from the new process to be shared.

Process One: Tier 1 and 2 Investment Intensive Agencies

Applies to: Northland DHB, Waitemata DHB, Auckland DHB, Counties Manukau DHB, Waikato DHB, Capital & Coast DHB, Canterbury DHB, and Southern DHB .

Review by: Treasury

Process Two: non-Investment Intensive Agencies

Applies to: Bay of Plenty DHB, Taranaki DHB, Lakes DHB, Tairāwhiti DHB, Whanganui DHB, MidCentral DHB, Hawke's Bay DHB, Hutt Valley DHB, Wairarapa DHB, Nelson Marlborough DHB, West Coast DHB, South Canterbury DHB

Review by: Ministry of Health

LTIPs must be formally refreshed every three years. However, an agency should be reviewing its LTIP regularly.

Introduction to LTIPs

- **LTIPs should cover at least ten years**
- **LTIPs must address the regional context**

To minimise the reporting burden, the Ministry has agreed that the LTIP will replace the current requirement for a Regional Capital Plan. However, the requirement for regional capital planning has **not** changed.

LTIPs are submitted by an individual DHB, but they **must** reflect the regional view. One way to achieve this would be to work as a region to agree a core document that could then be supplemented by the DHB-specific information.

- **LTIP documents should be stand-alone**

If information exists in a separate document, it may be appropriate to summarise the information and reference the source document. You may choose to use the executive summary from documents, such as the Asset Management Plan, where this information is consistent with the LTIP requirements.

- **Further guidance will be provided in the future**

As the LTIP process is new, further guidance will be provided as the process becomes embedded. The Ministry and Treasury will provide feedback to the sector after the first tranche of LTIP assessments. This information, and your feedback, will be used to improve the guidance for the subsequent process.

- **Any format is acceptable**

There is no mandatory format for the LTIP. The information below may be presented in any structure.

| Current State/Strategic Context | |
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| DHB Profile | <ul style="list-style-type: none"> • Population served, demographic structure, funding received etc • Campus overview (maps may be useful). • Current financial position, IDCC spend etc (attach detailed financial analysis in Appendix One) |
| Assets | <ul style="list-style-type: none"> • Total asset value • Broad statement of current position in capital lifecycle • Asset stocktake (attached appendix one) • Asset condition assessments (attached appendix two), plus current seismic status of building and plans to remedy (note: different utilisation metrics are required for ICT, clinical and building/plant. Note also that condition assessments will be at a building level, not a campus level) • Utilisation metrics (attached appendix three) • Identify limitations / challenges of existing sites • Identify current systems: IT systems; AM systems (for capital, clinical, IT), other major systems • Identify any material surplus assets • Identify significant leased assets |
| Structures | <ul style="list-style-type: none"> • Describe current governance structures to manage investment decision-making and prioritisation at a DHB and regional level. |
| Planning | <ul style="list-style-type: none"> • Status of Health Services Plans, and Regional Service plans, when they will next be updated (health services plans provide a view on all health services provided by the DHB; regional services plans cover the integrated regional view of service provision) • Status of Clinical Services Plans, which services are covered, when plans will next be updated (clinical service plans identify the planning for individual clinical services. They provide more detailed information underlying the health services plan). • Status of site master plans (noting that these should be at a high level ie to identify expansion space; they should not be a list of detailed projects)/ |
| Use of regional / private capacity | <ul style="list-style-type: none"> • Identify the current use of regional and private capacity |

Future State: What Investments Are Planned and How Will These Be Implemented?

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| <p><i>Details of individual investments (programmes and projects)</i></p> <p><i>NB The focus of investment is on capital expenditure, asset performance and disposals, lease arrangements and “as-a-service” type investments. p11</i></p> | <p>Using a current version of your DHB’s ten year capital intentions as a starting point, please identify intended investments, split as follows:</p> <ol style="list-style-type: none"> 1. Projects/programmes underway (include detail of project/programme and timelines) 2. Business cases in development (include detail of project/programme and timelines) 3. Projects known about (ie where there is a high degree of certainty of the requirement but not business case development has not yet started). 4. Placeholder projects to inform the budget with an appropriate high-level description eg increased inpatient capacity <p>This should include:</p> <ul style="list-style-type: none"> • A description of the planned investments that clearly explains what is intended to be invested in • Anticipated benefits from the investment and the strategic rationale for these benefits • Estimated costs of each investment, including the estimated direct operating implications (WOLC). Can include a range including a rationale for the estimates. • How the agency has evaluated options and trade-offs across the portfolio, how the preferred choices represent best value • The implications of not making any investment; • Any risks identified relating to each investment over the planning timeline (Eg when investments are expected to be scoped, business cases developed, and when ministerial or Cabinet decisions will need to occur) <p>NB:</p> <ul style="list-style-type: none"> • Please ensure all likely capital expenditure is identified, even in the out-years where there is a high degree of uncertainty. The capital intentions document is used to inform budget bids and for Treasury budget planning purposes. If capital needs are not identified then funding will not be available. If necessary, spending can be combined into categories as placeholders (eg IT spend) • <i>All projects and programmes are still subject to normal decision-making processes and financial approvals.</i> <p>Links between planning documents</p> <ul style="list-style-type: none"> • The ten-year capital intentions are provided annually as part of the annual plan process. These will remain the primary source to indicate a DHB’s capital intentions. |
| <p><i>Planning with Risks, Constraints, Dependencies and Assumptions</i></p> | <p><i>Investment-intensive agencies must clearly set out what risks, constraints, dependencies and assumption have been applied to each investment. These may be grouped by type of investments as long as the risks, constrains dependencies and assumptions used are consistently across that group of investments.</i></p> |
| <p><i>Forecast Financial Statements</i></p> | <p><i>Forecast financial statements that reveal the impact of investment intentions on the agency’s forecast financial statements, taking account of expected costs and funding sources such as asset disposal and the use of baseline and depreciation funding over the planning period.</i></p> |
| <p><i>Cost Modelling and Affordability</i></p> | <p><i>It should be clear how the agency has calculated the costs and affordability of the investments reflected in the LTIP.</i></p> <p><i>Highlight where best value investment options are considered not affordable within baseline.</i></p> |
| <p><i>Impact of change and deviation from plan</i></p> | <p><i>Within investment planning, investment-intensive agencies should:</i></p> <ul style="list-style-type: none"> • <i>Understand the investment milestones and explain variability around these</i> • <i>Summarise the anticipated impact that a change in direction or deviation from the LTIP may have on the strategic intentions and intended investment</i> • <i>Identify when any decision would need to be made by and by whom, and</i> • <i>Agree with their responsible Minister the tolerance for deviation from the plan.</i> |
| <p><i>Consistency with regional planning</i></p> | <p><i>LTIPs must clearly identify the regional view, and how individual DHB plans are consistent with the vision for the region.</i></p> |

Appendix One: Asset Stocktake Categories

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| <ul style="list-style-type: none">• Inpatient beds<ul style="list-style-type: none">○ Adult medical○ Adult surgical○ Paediatric○ Adult Intensive Care: HDU, CCU, ICU○ Acute Assessment○ Assessment, Treatment and Rehabilitation• Maternity<ul style="list-style-type: none">○ Antenatal / Postnatal beds○ Neonatal ICU beds○ Number of Delivery Suites• Surgical suites<ul style="list-style-type: none">○ Theatres○ Procedure rooms○ Day Surgery Unit Beds and Lazyboys• Emergency Department<ul style="list-style-type: none">○ Emergency Department Cubicles○ Observation Unit / Short Stay Beds | <ul style="list-style-type: none">• Mental Health<ul style="list-style-type: none">○ Adult Mental Health○ Youth Mental Health○ Forensic Mental Health• Cancer<ul style="list-style-type: none">○ Chemotherapy Beds and Chairs○ Linear Accelerators (Linacs)• Other Units<ul style="list-style-type: none">○ Mortuary (number of bodies)○ Cardio-Vascular Interventional Labs (Cathlabs) units○ Dentistry Chairs• Equipment<ul style="list-style-type: none">○ Magnetic Resonance Imaging (MRI) units |
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Appendix Two: Asset Condition Assessments

(A) Facilities:

| ELEMENT | CONDITION GRADE | | | | |
|--|--|--|--|--|---|
| | 1 | 2 | 3 | 4 | 5 |
| | Very Good Condition | Good Condition | Moderate Condition | Poor Condition | Very Poor Condition |
| Estimated Proportion of life consumed | Up to 45% | Between 45% to 90% | | | Up to 90% |
| Structure | Sound structure. | Functionally sound structure. | Adequate structure, some evidence of foundation movement, minor cracking. | Structure functioning but with problems due foundation movement, some significant cracking. | Structure has serious problems and concern is held for the integrity of the structure. |
| External | Fabric constructed with sound materials, true to line and level. No evidence of deterioration or discolouration. | Showing minor wear and tear and minor deterioration of surfaces. | Appearance affected by minor cracking, staining, or minor leakage. Indications of breaches of weatherproofing. Minor damage to coatings. | Fabric damaged, weakened or displaced. Appearance affected by cracking, staining, overflows, or breakages. Breaches of weatherproofing evident. Coatings in need of heavy maintenance or renewal. | Fabric is badly damaged or weakened. Appearance affected by cracking, staining, overflows, leakage, or damage, breaches of waterproofing. Coatings badly damaged or non-existent. |
| Internal | | | Appearance affected by minor cracking, staining, or minor leakage, some dampness or mildew. Minor damage to wall / ceiling finishes. | Fabric damaged, weakened or displaced. Appearance affected by cracking, staining, dampness, leakage, or breakages. Breaches of waterproofing evident. Finishes of poor quality and in need of replacement. | Fabric badly damaged or weakened. Appearance affected by cracking, staining, leakage, or wilful damage. Breaches of waterproofing. Finishes badly damaged, marked and in need of replacement. |
| Services | All components operable and well maintained. | All components operable. | Occasional outages, breakdowns or blockages. Increased maintenance required. | Failures of plumbing electrical and mechanical components common place. | Plumbing electrical and mechanical components are unsafe or inoperable. |
| Fittings | Well secured and operational, sound of function and appearance. | Operational and functional, minor wear and tear. | Generally operational. Minor breakage. | Fittings of poor quality and appearance, often inoperable and damaged. | Most are inoperable or damaged. |
| Maintenance | Well maintained and clean. | Increased maintenance inspection required. | Regular and programmed maintenance inspections essential. | Frequent maintenance inspections essential. Short term element replacement / rehabilitation. | Minimum life expectancy, requiring urgent rehabilitation or replacement. |
| Customers | No customer concerns. | Deterioration causes minimal influence on occupational uses. Occasional customer concerns. | Some deterioration beginning to be reflected in minor restrictions on operational uses. Customer concerns. | Regular customer complaints. | Generally not suitable for use by customers. |

Important Notes

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| Immediate maintenance | Small items of immediate maintenance which if repaired in the short term will restore the element to a higher condition grade. In such an instance the surveyor will both grade the element at the higher condition grade and report the immediate maintenance required. |
| Grade 1 | Many surveyors are reluctant to assess an element as grade 1, opting for the "conservative" assessment of grade 2. This is a poor practice as it artificially brings forward predictions of future expenditure on that element. As a guide an element will generally remain in grade 1 for 35 - 50% of its overall life. |
| Services | Services relate to all plumbing electrical and mechanical components. |

(B) Other measures

NOTE: Please continue to use your existing condition assessment for plant, clinical and ICT categories of assets. Work is underway in the sector to identify consistent measures for use for these categories in the future.

Appendix Three: Utilisation Metrics

Suggested categories include:

- MRI
- Beds (include splits)
- Theatres
- Parking
- Infrastructure – water / power
- etc