

# Tranche Two Results February 2017

## Investor Confidence Rating

Investor Confidence Rating assessments have been completed for the Tranche Two cohort, and two more tranches are planned between now and September 2017 for remaining investment-intensive agencies. This first review round for the ICR provides baseline data for subsequent reviews, and evidence of areas for improvement. Tranche Two involved five investment-intensive District Health Boards. The summary results were:

Agency	ICR Result
Auckland District Health Board	B
Canterbury District Health Board	B
Counties-Manukau District Health Board	A
Northland District Health Board	C
Waitemata District Health Board	B

The four largest DHBs in this tranche attracted an A or B rating, and NDHB attracts a rating of C which is a solid first-up result for a mid-sized DHB. This indicates that these DHBs have the foundations for good investment management in place.

The ICR process has highlighted common areas for improvement across all agencies in Tranche Two. Given the operating model in the sector, it is likely that all other DHBs face the same areas for improvement, though the scale and context will vary. The common areas for improvement are:

- a. Lift the quality of regional long term planning (and resultant Long Term Investment Plans, or LTIPs)
- b. Invest in programme management capability, and
- c. Make asset performance targets more meaningful.

By design, ICR ratings can have various implications for government agencies, for example the rating can affect the level of delegated authority to make investment decisions or the extent of assurance and reporting requirements. DHB investments need to be considered in the context of the whole DHB network. The particular ICR implications for individual DHBs will be subject to discussion with stakeholders following the results of further work to improve investment performance across the DHB network.

## Detailed Agency Results for Tranche Two of the Investor Confidence Rating: February 2017

<p><b>Auckland District Health Board</b>  (ADHB)</p>	<p><b>Investor Confidence Rating</b></p>	<p><b>B</b></p>	<p><b>Scope of ICR assessment:</b></p>	<p>ICT, equipment and facilities portfolios</p>
<p><b>Canterbury District Health Board</b>  (CDHB)</p>	<p><b>Investor Confidence Rating</b></p>	<p><b>B</b></p>	<p><b>Scope of ICR assessment:</b></p>	<p>ICT, equipment and facilities portfolios, excluding Ministry of Health managed capital works programmes</p>
<p><b>Counties-Manukau District Health Board</b>  (CMDHB)</p>	<p><b>Investor Confidence Rating</b></p>	<p><b>A</b></p>	<p><b>Scope of ICR assessment:</b></p>	<p>ICT, equipment and facilities portfolios</p>

**Treasury Comment**

The evidence shows ADHB has strong asset management maturity and consistently meets its own asset performance targets. Its self-assessment shows strengths in organisational change management maturity.

ADHB generally delivers the required benefits from its portfolio of investments. ADHB needs to improve its ability to plan and deliver projects on time.

In terms of portfolio, programme and project management maturity (P3M3) there is room for improvement across both the Portfolio and Project models. Left untreated these may affect future performance.

There was no assessment of ADHBs programme management maturity in this round of the ICR. However, given the high degree of interdependencies between planned investments, ADHB should consider how best to adopt and implement programme management capability.

ADHB's Long Term Investment Plan (LTIP) provides an excellent overview of ADHBs place in the national and regional context. It clearly sets out the nature of work currently underway to assess the condition of the infrastructure and the intention to use such information to revise its LTIP. More work is required to improve the reliability of key assumptions used to inform financial forecasts.

**Treasury Comment**

This ICR covered the \$400-500 million worth of IT, clinical and building assets on CDHB balance sheet but did not include the Burwood or Christchurch Hospital redevelopments, and associated projects, some of which are incomplete or being managed by the Ministry of Health.

Within this scope limitation, the evidence shows CDHB has strengths in the way it manages its asset portfolio performance and delivers its own portfolio of projects on time, to scope, and on budget. The quality of the LTIP is comparable with most other DHBs.

The benefits delivery result reflects the fact that CDHB is still on an improvement path toward reporting the level of benefits achieved compared with those anticipated when investment decisions were made.

The organisational change management result reflects CDHB's ambition to leverage existing strengths to the high level needed to successfully deliver changes arising from the major investments currently underway.

The system performance result assumes greater than usual importance: Over the last 12-18 months, the corporate centre has observed good compliance with ICT and procurement system requirements offset by other experience that shows insufficient compliance with other requirements. Related to this, the P3M3 evidence shows that programme management maturity around the earthquake recovery programme of work is not at the level that joint Ministers expect.

There needs to be a significant shift in material aspects of CDHB's compliance with system requirements and the level of maturity around the \$300-\$400m earthquake recovery programme.

**Treasury Comment**

CMDHB has strengths in all aspects of investment management examined through the ICR.

It consistently meets its own project-related targets and asset performance targets.

CMDHB's self-assessment shows strengths in its level of organisational change management maturity. CMDHB also engages well with other stakeholders and complies with system requirements.

There are opportunities for improvement in several aspects of its P3M3 maturity, namely benefits, stakeholder and resource management. CMDHB is the only DHB tested in this tranche to have a mature programme management capability. This fact and its all-round strengths mean CMDHB is well placed to play a leading role in investment planning and integration across the Northern Region.

CMDHB produced the best LTIP amongst the cohort of five DHBs. It examined a range of investment scenarios and provided a strong rationale for its preferred way forward. The material provides a very good basis for further strategic discussions across the northern region, and at a national level.

<p><b>Northland District Health Board (NDHB)</b></p>	<p><b>Investor Confidence Rating</b></p>	<p><b>C</b></p>	<p><b>Scope of ICR assessment:</b></p>	<p>ICT, equipment and facilities portfolios</p>
<p><b>Waitemata District Health Board (WDHB)</b></p>	<p><b>Investor Confidence Rating</b></p>	<p><b>B</b></p>	<p><b>Scope of ICR assessment:</b></p>	<p>ICT, equipment and facilities portfolios</p>
	<p><b>Treasury Comment</b></p> <p>The evidence shows NDHB has strengths in delivering projects to scope, on time and on budget. However, it needs to improve its reporting on benefits delivered from completed projects. This process begins with setting clear, measurable benefits targets in business cases.</p> <p>There is a related opportunity to lift aspects of its Portfolio and Project management maturity as a means of underpinning future investment performance.</p> <p>In this ICR there was no assessment of NDHBs programme management maturity. However NDHB should build maturity in this aspect of P3M3 to ensure the success of redevelopment programmes set out in its LTIP.</p> <p>The LTIP explains the strategic focus for the DHB working with other DHBs and community providers to manage the effects of changing demographics including the potential population flows out of the Auckland region.</p> <p>NDHB observes system rules and expectations well. It pragmatically adopts systems and tools from metro DHBs and works constructively with its northern partners.</p> <p>The corporate centre needs to work closely with NDHB to ensure it has the capability required to deliver any major investment programme.</p>			
	<p><b>Treasury Comment</b></p> <p>The evidence shows WDHB has strengths in asset management maturity and asset performance. There is scope to leverage these in-house strengths to ensure WDHB receives and makes effective use of equivalent information on its ICT infrastructure managed by healthAlliance.</p> <p>Evidence shows WDHB generally delivers the required benefits from its portfolio of investments and mostly delivers them on time, to scope and on budget.</p> <p>In terms of its P3M3 maturity it has strong portfolio governance, and finance maturity, but there are key gaps in way it manages benefits and its investment portfolio. Left untreated, these may affect the sustainability of its performance.</p> <p>WDHB is a strong contributor to sector improvement activity, particular in lifting sector wide asset performance. However it needs to be more consistent in meeting Ministry system requirements. There is scope to help advance the way investments are prioritised in the northern region.</p> <p>The LTIP reveals the imperatives WDHB needs to address over the next 10 years. However financial forecasts are based on optimistic productivity assumptions.</p>			