

Aide-Mémoire

Health New Zealand Maintenance and Renewals

Due to MO:	4 March 2025	Reference	HNZ00078951
To:	Hon Simeon Brown, Minister of Health		
From:	Jeremy Holman, Chief Infrastructure and Investment Officer, Infrastructure and Investment Group		
Copy to:	N/A		
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Consulted	N/A		

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Attachments

Appendix 1: Maintenance Brief Options

Appendix 2: Operating spend vs budget

Appendix 3: Infrastructure Capital allocation (Depreciation)

Appendix 4: National Maintenance Assessment report

Purpose

1. This Aide-Mémoire provides you with information on Health New Zealand | Te Whatu Ora (Health NZ) maintenance and renewals as commissioned on 10 February 2025.

Summary

2. Current and historical maintenance budgets have been developed based on previous years' budgets incorporating a modest inflation adjustment. Budgets do not follow a zero-based or bottom-up approach which perpetuates historical underinvestment.
3. The Health NZ maintenance budget on building, plant, and infrastructure assets which includes insourced (trade FTEs) and outsourced (external third party providers) personnel has decreased by \$20 million:
 - a) 2023/24: \$160 million or 1.7% of the book value (\$9 billion)
 - b) 2024/25: \$140 million or 1.5% of book value.
4. When comparing this to other asset intensive agencies supporting critical service provision, Health NZ is spending almost 50% less than Corrections (3%) and Transpower (3.7%) (refer Table 2 – High Level Comparison).
5. Specific to the Health sector, the Australasian Health Infrastructure Alliance (AHIA) recommends 3–4% of book value is spent on maintenance annually, which would be approximately \$280–360 million annually for Health NZ.
6. Table 3 in **Appendix 1** outlines five options, each representing a different level of organisational investment, from a proactive, high-maturity approach to a reactive, low-maturity approach. It details the consequences of each option and illustrates the impact of funding levels by comparing the 2023/24 expenditure with the anticipated 2024/25 situation, based on available maintenance resources. These options are for your reference, and we are not seeking a decision from you.
7. s 9(2)(g)(i)

Discussion

Source of Budget

8. Budgets, both historically and currently, have been developed based on past budgets, incorporating a modest inflation adjustment. They do not accurately reflect increases in operating expenditure (OPEX) requirements resulting from new builds.
9. s 9(2)(g)(i)

Maintenance Spend and Renewals

10. Significant budget cuts (e.g., a 37% reduction) to meet savings targets is expected for Health NZ's Infrastructure and Investment Group (IIG) in the current fiscal year as part of current financial sustainability measures across Health NZ. This further reduces our ability to maintain our asset base to ensure that asset failures are minimised and do not impact on clinical service provision. This reduction is expected to impact on maintenance expenses and/or staffing levels.
11. The IIG's OPEX budget for maintenance is outlined in Table 1 below.

Table 1 – OPEX Budget for Maintenance

Financial year	Budgeted		Actual	
	Employee/Outsourced Staffing	Maintenance Expenses	Employee/Outsourced Staffing	Maintenance Expenses
FY2022/23	\$34m	\$81m	\$38m	\$103m
FY2023/24	\$39m	\$99m	\$42m	\$114m
FY2024/25	\$31m	\$109m	Current year	Current year

Note: FY2022/23 does not include *Compliance* and *Other Facilities* expenses. The budget for these were incorporated into the following years. The \$109m in FY2024/25 includes costs previously recorded in *Other Functions* outside IIG.

12. The breakdown of OPEX spend by hospital can be found in **Appendix 2**. Please refer to points 3 and 4 in Appendix 2 for details on the accounting ledger changes made in FY23/24.

13. s 9(2)(g)(i)

14. s 9(2)(g)(i)

and renewals. The backlog is substantial and requires a more robust, strategic approach.

Benchmarks Comparison – Maintenance Spend vs Net Book Value

15. Table 2 provides a high-level comparison highlighting the level of investment (% of book value) in maintaining Health NZ infrastructure asset portfolio compared to other organisations.

16. Te Waihanga New Zealand Infrastructure Strategy¹ estimates that for every \$40 spent on new infrastructure, \$60 should be invested in maintenance and renewals of existing assets. Health NZ are unable to segment out the maintenance and renewals portion from capital projects and are unable to say what this means in terms of funding for Health NZ.

Table 2 - High-Level Comparison for Financial Year 2023/24 (as per Annual Reports)

Agency	Maintenance Spend	Book (Current) Value	% of Book Value
Health NZ	\$160m*	\$9.1bn	1.7%
Kāinga Ora	\$630m	\$12.5bn	5%
Corrections	\$108m	\$3.65bn	3%
Transpower	\$185m	\$5bn	3.7%

*FY 23/24 spend including internal trade full time equivalent (FTE)

Capital Expenditure (CAPEX)

17. Health NZ's capital spend on facilities was \$968.5 million in 2022/23 and \$1.155 billion in 2023/24. The budget this year is \$1.463 billion (this includes all funding sources, i.e. depreciation and HCE funding). Refer to **Appendix 3** for a breakdown.

18. Based on Health NZ's financial modelling, within the Health Infrastructure Plan (HIP), Health NZ's annual depreciation funding towards infrastructure investments could range from approximately \$300-500 million. This is dependent on the rate at which assets are capitalised and Health NZ's cash position:

- a) Health NZ's total depreciation budget in 2024/25 was \$887 million.
- b) Depreciation investment into health infrastructure is \$366 million in 2024/25, including \$60 million towards major monitored health investment.

19. We cannot provide a breakdown of this capital allocation across asset renewals, growth projects, and other categories. This would require a line-by-line analysis of approximately 1,200 projects. We prioritise clinical risk whilst trying to manage asset lifecycle replacements. However, the top items in the capital plan are typically to address direct risks to clinical services. It is equally important to consider asset lifecycle replacement, as unplanned downtime from asset failures can also have a significant clinical impact.

20. Health NZ has presented you the HIP, which has an annual average capital investment of \$2.3 billion, including both asset renewal and service uplift [HNZ00079907 refers]. Over the next 10 years, the proposed pipeline will necessitate Crown capital investment significantly exceeding the previous decade's average of approximately \$700 million.

21. Health NZ is currently delivering the Asset Management and Information Management System (AMIS) and is expected to have campuses migrated by June 2025. The AMIS will maintain a real time record of building, plant, infrastructure, and land assets across the estate. As part of the National Asset Management Strategy (NAMS), approved in December 2024, the Commissioner endorsed \$21 million over six years (subject to funding

¹ [rautaki-hanganga-o-aotearoa-new-zealand-infrastructure-strategy.pdf](#)

prioritisation) to complete a baseline assessment of the estate which will audit the assets we have and their condition.

22. Without the AMIS and the supporting information on the condition of those assets in place, Health NZ relies on local assessments of clinical and asset risk to identify priorities for depreciation funds. These are assessed based on a nationally led criteria and prioritisation approach.

Financial Challenges

23. In 2024, a maintenance assessment was conducted across 34 key campuses. The assessment confirmed general compliance with the Building Warrant of Fitness, the Hazardous Substances and New Organisms Act, and Resource Consent requirements. However, it highlighted a critical need for increased maintenance funding.
24. Ageing infrastructure, much of which no longer meets modern healthcare standards, poses significant risks to safety, reliability, and patient outcomes. Historical underinvestment has led to substantial maintenance debt, making infrastructure failures a matter of when, not if.
25. Table 3 in **Appendix 1** describes five options and consequences likely to emerge from each of these approaches. Each option highlights a different level of organisational investment, ranging from a high maturity/proactive approach to low maturity/highly reactive. These options are for your reference and outline the choice set Health NZ faces moving forward. We are not seeking a decision from you on these options.
26. To show the anticipated movement between options as a result of funding levels, Table 3 shows the 2023/24 spend and the anticipated 2024/2025 situation (considered likely at the time of report publication) based on the allocated maintenance resources.
27. The Maintenance Assessment Report (Section 4 and Appendix 8.8), attached at **Appendix 4**, provides an overview of potential future asset maintenance service levels.

Enhancing Budget and Investment Planning Through Asset Management Maturity

28. Establishing a comprehensive baseline for our health estate including a stocktake of all assets including condition, supported by an AMIS is essential for understanding our asset portfolio and renewal profile. This data enables accurate forecasting, informed maintenance and renewal budgets, and integration of demand trends and service level requirements.
29. A mature asset management system further strengthens budget and investment planning through structured gap analysis, predictive modelling, and lifecycle costing. This proactive approach optimises resource allocation, minimises reactive spending, and enhances regulatory compliance.
30. By understanding asset location, age, and condition, we can implement strategic maintenance, targeted renewals, and cost-effective interventions to sustain long-term operational efficiency. These efforts align with our NAMS and support the delivery of critical services.

Next Steps

31. Health NZ will implement the NAMS and its associated workstreams and deliverables to enhance asset management maturity. This is a six-year programme that will improve

visibility of key information, enabling evidence-based decision-making, such as degradation modelling to optimise maintenance spending effectively and efficiently.

32. Implementing the NAMS:

- a) Facilitates the delivery of a National Maintenance Strategy, ensuring the right maintenance is performed at the right time on our key assets, prioritising our investment.
- b) Supports the successful implementation of a national AMIS, which will establish baseline asset data and enable ongoing effective asset management.
- c) Develops a programme to baseline the health estate (subject to funding, with assessments commencing in 2025/26). Baselineing will inform decisions on maintenance, upgrades, and future investments.
- d) Will occur over a six-year programme, meaning the benefits of these workstreams and deliverables will be realised progressively over time rather than immediately. This initiative is about building long-term success and strengthening our asset management maturity.

Appendix 1: Maintenance Brief Options

s 9(2)(f)(iv), s 9(2)(g)(i)

s 9(2)(f)(iv), s 9(2)(g)(i)

Appendix 2: Operating spend vs budget

1. Table 4 below is a high-level summary of Health NZ IIG maintenance spend. This shows the latest results in January 2025 and forecast, plus 2023/24 comparison.

Table 4 – High Level Summary of Health NZ Maintenance Spend

Region and District/Agency	FY Actuals 2023-24 \$000's	FY Budget 2023-24 \$000's	FY Variance 2023-24 \$000's	YTD Actuals 2024-25 \$000's	YTD Budget 2024-25 \$000's	YTD Var 2024-25 \$000's	Forecast 2024-25 \$000's	Budget 2024-25 \$000's	Forecast Var 2024-25 \$000's	Bud 24 Var Bud 25 \$000's
Northern										
Te Tai Tokerau Northland	3,789	3,449	(340)	2,152	2,008	(144)	4,019	3,503	(516)	53
Waitematā	3,304	6,321	3,016	3,968	5,658	1,690	7,420	9,651	2,231	3,330
Te Toka Tumai Auckland	20,811	19,687	(1,124)	6,206	10,281	4,074	11,695	17,936	6,241	(1,752)
Counties Manukau	6,256	6,763	507	3,452	4,521	1,068	6,842	7,887	1,045	1,124
Northern Total	34,161	36,220	2,060	15,779	22,467	6,688	29,976	38,977	9,000	2,756
Te Manawa Taki										
Waikato	16,622	14,414	(2,207)	5,696	9,039	3,344	11,022	15,770	4,748	1,356
Hauora A Toi Bay of Plenty	5,192	5,445	253	2,118	3,171	1,053	3,817	5,532	1,715	87
Lakes	3,131	2,427	(704)	887	1,453	567	1,718	2,535	817	108
Tairāwhiti	1,289	684	(605)	475	558	82	1,019	973	(46)	289
Taranaki	3,381	2,016	(1,365)	890	1,427	538	1,858	2,490	632	474
Te Manawa Taki Total	29,615	24,987	(4,628)	10,066	15,649	5,583	19,435	27,301	7,866	2,314
Central										
Te Matau a Māui Hawke's Bay	4,327	3,787	(540)	1,662	2,245	583	3,796	3,917	121	130
Whanganui	737	1,101	364	1,495	1,933	438	2,773	3,373	600	2,272
Te Pae Hauora o Ruahine o Te Arawa	7,438	7,538	100	4,425	4,659	233	8,060	8,128	68	590
Wairarapa	2,336	0	(2,336)	307	388	81	633	676	43	676
Hutt Valley	7,746	9,056	1,310	1,299	197	(1,102)	2,416	343	(2,073)	(8,713)
Capital & Coast	603	512	(92)	4,012	5,963	1,950	8,048	10,402	2,355	9,891
Central Total	23,187	21,994	(1,193)	13,200	15,384	2,183	25,726	26,839	1,113	4,845
Te Waipounamu										
Te Taihū Nelson Marlborough	2,694	2,087	(607)	1,559	1,703	144	3,007	2,971	(36)	884
Te Tai Poutini West Coast	880	879	(1)	338	545	207	583	951	367	72
Waitaha Canterbury	8,926	7,216	(1,709)	4,181	4,156	(26)	7,669	7,249	(419)	33
South Canterbury	897	894	(3)	428	476	49	1,025	831	(194)	(63)
Southern	6,699	4,168	(2,531)	2,011	2,235	224	4,269	3,899	(370)	(269)
Te Waipounamu Total	20,095	15,244	(4,852)	8,516	9,114	598	16,553	15,900	(653)	657
Shared Services										
Central Region's TAS Ltd	13	25	12	0	0	0	0	0	0	(25)
Northern Regional Alliance	(136)	0	136	0	0	0	0	0	0	0
NZ Health Partnerships Ltd	374	297	(77)	137	195	58	235	341	106	44
Te Whatu Ora Corporate	6,844	13	(6,831)	334	94	(240)	844	164	(680)	151
Shared Services Total	7,094	335	(6,759)	471	289	(182)	1,079	505	(574)	170
Maintenance Costs	114,152	98,779	(15,372)	48,032	62,904	14,872	92,769	109,521	16,752	10,742

In Confidence

2. Table 5 below shows what Health NZ IIG reported in June 2024 with 2023 historical*1.

Table 5 – What Health NZ Reported

Infrastructure & Investment Group										
Maintenance Actuals vs Budget Analysis - June 2024										
Region and District/Agency	FY Actuals 2022-23 \$,000s	FY Budget 2022-23 \$,000s	FY Variance 2022-23 \$,000s	YTD Actuals 2023-24 \$,000s	YTD Budget 2023-24 \$,000s	YTD Var 2023-24 \$,000s	FY forecast 2023-24 \$,000s	FY Budget 2023-24 \$,000s	Forecast Var 2023-24 \$,000s	Bud 23 Var Bud 24 \$,000s
Northern										
Counties Manukau	7,565	6,318	(1,247)	5,771	6,384	613	7,776	6,384	(1,392)	66
Te Tai Tokerau Northland	3,270	3,035	(236)	2,684	2,479	(205)	2,599	2,479	(120)	(556)
Te Toka Tumai Auckland	23,040	18,429	(4,611)	20,470	18,429	(2,040)	21,833	18,429	(3,404)	0
Waitematā	8,907	4,812	(4,095)	2,241	5,470	3,229	5,844	5,470	(374)	658
Northern Total	42,783	32,594	(10,188)	31,166	32,763	1,597	38,052	32,763	(5,289)	169
Te Manawa Taki										
Hauora A Toi Bay of Plenty	4,430	4,765	335	5,102	5,344	242	5,129	5,344	215	579
Lakes	2,440	0	(2,440)	3,131	2,427	(704)	3,000	2,427	(573)	2,427
Tairāwhiti	723	636	(87)	1,198	649	(549)	1,195	649	(546)	13
Taranaki	1,320	1,182	(138)	2,341	1,259	(1,082)	2,430	1,259	(1,171)	77
Waikato	14,401	13,444	(957)	15,592	13,879	(1,713)	15,541	13,879	(1,662)	435
Te Manawa Taki Total	23,315	20,027	(3,288)	27,364	23,558	(3,806)	27,296	23,558	(3,737)	3,531
Central										
Capital & Coast	6,667	6,042	(625)	6,555	7,841	1,286	6,440	7,841	1,402	1,800
Hutt Valley	1,974	1,039	(935)	1,890	0	(1,890)	1,864	0	(1,864)	(1,039)
Te Matau a Māui Hawke's Bay	4,013	2,009	(2,004)	2,349	2,049	(300)	2,279	2,049	(229)	40
Te Pae Hauora o Ruahine o Tararua MidCentral	7,549	7,390	(158)	7,395	7,538	143	7,263	7,538	275	148
Wairarapa	429	347	(82)	483	459	(24)	453	459	6	113
Whanganui	920	851	(69)	778	873	95	444	873	430	22
Central Total	21,551	17,677	(3,874)	19,451	18,761	(690)	18,743	18,761	18	1,084
Te Waipounamu										
South Canterbury	1,033	0	(1,033)	897	894	(3)	922	894	(29)	894
Southern	4,265	2,108	(2,157)	5,524	3,011	(2,513)	5,629	3,011	(2,617)	903
Te Tai Poutini West Coast	437	585	148	613	597	(17)	664	597	(67)	12
Te Taihū Nelson Marlborough	1,038	999	(39)	1,597	1,066	(531)	1,528	1,066	(462)	67
Waitaha Canterbury	7,938	6,739	(1,199)	9,032	7,353	(1,678)	8,987	7,353	(1,633)	615
Te Waipounamu Total	14,712	10,431	(4,280)	17,663	12,921	(4,742)	17,730	12,921	(4,808)	2,490
Shared Services										
Central Region's TAS Ltd	30	26	(5)	13	25	12	14	25	11	(1)
Northern Regional Alliance				(136)	0	136	0	0	0	
NZ Health Partnerships Ltd	109	82	(27)	101	52	(50)	103	52	(51)	(30)
Te Whatu Ora Corporate	532	13	(519)	6,673	13	(6,660)	785	13	(773)	0
Shared Services Total	671	120	(550)	6,651	89	(6,561)	902	89	(812)	(31)
Maintenance Costs	103,031	80,850	(22,181)	102,295	88,093	(14,202)	102,722	88,093	(14,629)	7,242

Note: *1: In 2023/24 under the Maintenance grouping we did not include Compliance (Account 5140) or Other Facilities expenses (Account 5170) which explains why the numbers for 2023/24 are different in the two extracts.

3. Table 4 shows:
 - a) Actual 2023/24 \$114.152 million versus previous year's extract \$102.295 million. The difference is made up of \$8.2 million (Compliance) and \$3.6 million (Other Facilities expenses).
 - b) Budget 2023/24 \$98.779 million versus previous year's extract \$88.093 million. The difference is made up of \$6.3 million (Compliance) and \$4.3 million (Other Facilities expenses).
4. If you are considering budgets only then please note:
 - a) 2022/23 Budget (IIG ONLY) \$80.850 million (excludes Compliance \$6.4 million and Other Facilities expenses \$1.6 million).
 - i. If we include those codes as we do now, then this number is \$88.816 million.
 - b) 2023/24 Budget (IIG ONLY) \$88.093 million (excludes Compliance \$6.3 million and Other Facilities expenses \$4.3 million).
 - i. If we include those codes as we do now, then this number is \$98.779 million.
 - c) 2024/25 Budget (IIG ONLY) \$98.011 million (excludes Compliance \$8.9 million and Other Facilities expenses \$2.6 million).
 - d) If we include those codes as we do now, then this number is \$109.521 million.

Appendix 3: Infrastructure Capital allocation (Depreciation)

1. Table 6 below is a high-level summary of Health NZ capex plan for 2024/25.

Table 6 - High-Level Summary of Health NZ Capex Plan for 2024/25

	Health NZ Cash - Depreciation (\$m)	HCE / Crown (\$m)	EECA Loans / Grants (\$m)	Donations / Trusts (\$m)	Total Funding (\$m)
Facilities	365.86	1,033.47	50.86	13.62	1,463.81
Digital Services	170.63	29.59			200.22
Clinical Equipment	319.30			9.55	328.85
Motor Vehicles	19.03				19.03
Other Equipment	12.93				12.93
Total	887.75	1,063.06	50.86	23.16	2,024.83

2. The total depreciation generated from buildings/facilities assets versus the depreciation allocated to facilities asset for the last three years is shown in Table 7 below:

Table 7 – Depreciation breakdown

	Actuals depreciation generated buildings / facilities \$m	Capital plan Budget for facilities \$m	% of generated depreciation allocated to facilities	Total Health NZ depreciation funded capital budget \$m	% of Health NZ depreciation budget allocated to facilities ²
2022/23	436,284	328,050	75%	790,716	41%
2023/24	528,079	519,437	98%	845,638	61%
2024/25	542,242 *	365,858	67% ³	887,750	41%

*: 2024/25 is budget not actuals

²Facilities assets have a longer useful life than other assets, therefore depreciation generated by facilities assets is not always fully allocated to the replacement of facilities in any given year.

³Due to Health NZ cash constraints, the 2024/25 capital plan cash was largely prioritised towards completing projects that were already in flight and the ability to deliver.