Episode twenty-nine

TRANSCRIPT

NEW ZEALAND
INFRASTRUCTURE
COMMISSION
Te Waihanga

Managing the health of our assets

Infrastructure for a better future

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Please note: the transcript has been edited to make reading as easy as possible.

Introduction: Welcome to 'Infrastructure for a better future', a series where we have honest conversations about the infrastructure challenges we are facing and how we can build a better Aotearoa New Zealand. In each episode we'll talk to experts from here and overseas about what works, what we can learn from, and where we're going.

Jessie Lea: Welcome to another podcast about infrastructure and asset management. My name is Jessie Lea. I am the Special Advisor to the Infrastructure Commission, Te Waihanga, for their asset management, and I'm here today with Stacey Marsh. Stacey is the Head of Infrastructure Asset Management in the Infrastructure and Investment team for Health New Zealand | Te Whatu Ora.

Health infrastructure and asset management are both key priorities in our National Infrastructure Plan. So I think your role, Stacey, puts you in a doubly important position for us. For me, you've always been a role model and an inspiration. You started up the Central Government Asset Management Forum of asset managers who work in central government agencies – a great source of support and collaboration and I think that has definitely been a real help for a lot of us who have been in those roles.

So I'm really looking forward to this conversation today, where you're going to hopefully tell us all about yourself, how you got to where you got to, some of the real-life challenges that you've faced, and what you enjoy about doing asset management for central government and in the health sector.

We'll start with a bit of an introduction of yourself, who you are, and your own professional journey into asset management and as a leader – what makes Stacey who she is and how did you get here today. What's your story?

Stacey Marsh: Thanks, Jessie. So the role that we've got at Health NZ with leading the infrastructure asset management is a big beast. You don't want to look at that in its entirety too much, it becomes a big job, so you break it down. I think that's what possibly started my career in asset management. So I've been in the public sector asset management for about 17 years now. I started in Housing New Zealand, as it was at the time, in the lease services unit, managing the lease portfolio for social housing. It was my first real job in the public sector, and it was my first real job in property. It wasn't a career path of choice. It was one that I kind of got into and realised how much I loved it once I was there.

I then spent the next 14 years working in asset management in the Waikato area, then Bay of Plenty, and more into national roles towards the end. I really enjoyed working my way through learning how to manage assets and the maintenance side of it, then more towards the strategic asset management space – you know, what do we need to meet the needs of the housing waitlist at the time? How do we get best value and where do we need them was super exciting to me. So I got the bug!

I moved from Kāinga Ora to Health NZ in about 2022, when we were just merging, the implementation of Health New Zealand, a very challenging environment – we were bringing all the different district health boards under one entity. But I realised I like a challenge, as most asset managers do actually, to be fair, and so working through establishing the Infrastructure Asset Management team for Health NZ has been really rewarding.

Jessie Lea: How long have you been at Health NZ now?

Stacey Marsh: Just over four years now. So I started in the team that was establishing setting standards for how we build new hospitals. I've been in this role here maybe two and a half years now, when the role was elevated up to signal the importance of asset management and health infrastructure. So I was very privileged to be able to help create that function and build on the good work that had already been done in that space.

Jessie Lea: Cool. I wanted to ask about, back in your earlier career, the choices that you made that led you to an asset management role, because I think one of the things that we find in the profession at the moment, especially in central government, is this kind of slightly 'accidental' asset manager. You know, no one ever started when they're 18, thinking, "I know, I want to be an asset manager" and that's something I think we want to try and change. I think people like you are an example, and a role model, of showing younger people what an asset management role can be like, and that it's something that people could aspire to in future, and actually just what it is. So I mean, when you were at school, what kind of roles did you think you were going to end up doing, and how did that decision, or accidentally happen, that you went into asset management?

Stacey Marsh: I'm probably an anomaly, to be fair. I started my family very young, and so I never sort of had an intention of having a career in anything. That wasn't an aspiration of mine when I first started out to have a career, but I knew I wanted to do some level of 'better'.

And so I got the only job I could get after my son turned five, which was a receptionist at a real estate agency, and so, when I say accidentally got into property, that was the only job I could get at the time.

Jessie Lea: You know we have that role in common, way back, too long ago than I care to mention. Back in London, I was what was called a sales secretary or something for a real estate agent. Yeah, that was one of my roots into property as well. Starting down at those very detailed roles, early in the career, and you kind of fall into it.

Stacey Marsh: That's exactly right, and so I watched the people around me, and I thought, "Actually, that's pretty cool", and then progressed my career small steps at a time and then I started to enjoy it. I'm going to admit to something here – I'm a little bit of a spreadsheet geek.

Jessie Lea: I do like a spreadsheet.

Stacey Marsh: So understanding the assets that I had in my portfolio and how old they were and where they were in their life cycle was a great way for me to start to use asset management and my love of Excel into one. So it kind of evolved from there, there wasn't any intention at the beginning, but seeing the value that you could add to it.

I think one of the lessons that we could learn in the industry is understanding what asset management is and how people can bring all different walks of life into asset management. You don't have to be an engineer by trade. You don't have to, you know, have these formal, large, big qualifications – that if you just have a passion for getting value out of things, whatever that looks like, it progresses from there. So, I'm not one of those ones who had an intention to get into asset management.

Jessie Lea: I'm not sure many people do, but I'm hoping we can change that. And I love the geeking out on the asset data, I've shared that with you, getting into the detail of the asset register and understanding how everything is performing and how you report on it. I love the spatial element of that, being able to represent your assets spatially using a GIS system. So I get very excited about all the geeky elements. Obviously it's the foundational thing of asset management, you've got to understand what you've got, and then you can manage it effectively.

So I'll move on to asking you a bit more about the challenges and opportunities, as someone who's working in the health sector side of asset management.

I guess I should remind people that one of our ten priorities in the National Infrastructure Plan is actually to lift hospital investment for an ageing population. So we don't actually point out many areas for increasing investment in the Plan, but health is one of the areas where say that – because of that ageing demographic across New Zealand, we are going to need to invest more in that. So, I wondered if you wanted to talk a bit about how you see that playing out, that need for increased investment, especially in the context of the current state of the health estate, as it were, and the challenges that you're facing with its condition and renewals, and of the existing 'looking after what you have already'.

Stacey Marsh: Asset management principles are the same, regardless of the asset and the complexity. So when you start from that base, you look at the challenges very similarly. What I have noticed, particularly with health, is just how complex it is in every which way that you look.

So, obviously, bringing all the different district health boards under one entity, who had done very good jobs individually around how they managed their estate to varying degrees, but bringing that under a national entity, you've got the challenges of, you know, normalisation of what we name things, you've got different asset registers, and trying to bring that all into one is a challenge, understanding our demand profile, our clinical services needs.

You go into a hospital, there's multiple wards, multiple clinical services that are provided in a hospital, and they all have different needs for the short and long term, right out to 30 years, when you're looking at clinical service provision mapping. So, our demand modelling is complex and, on top of all of that, you've got a very changing environment, a very political environment, and an ageing estate.

So while the principles of asset management are simple, the complexities within the health estate are prevalent.

Jessie Lea: The practicalities of actually delivering against those principles.

Stacey Marsh: That's right, and the buildings themselves are very complex buildings, and they take quite some time to build. So, when we start to build a new hospital, it's not just about what's in the next 10-20 years. You actually have to look out 30 plus years around demographic changes and service needs, and are there any changes and models of care that we need to be taking into account?

A prime example of that is, years ago, you would do renal and dialysis very differently than what you would do now. You would have a chair now versus a bed space before. So you have to think quite long term and the challenge, particularly in the infrastructure and the asset management side of it, is that we had to work really hard to even know what our assets were in a way that you could compare across the system.

Jessie Lea: Do you think there's much standardisation, or is there a lot of bespoke, different designs of both infrastructure and also, you've got lots of equipment and things like that. That must be quite difficult, when it sounds like everything is slightly different, but similar.

Stacey Marsh: So, you've got hospitals that have been designed in a way that is reasonably bespoke. Your clinicians locally have input into how they provide services there. So there has been a level of bespoke, even in terms of where you are investing in your existing estate and how you are maintaining your existing estate. There was differing levels of that across the country too.

Jessie Lea: So the more bespoke the elements, it gets more complicated when you're looking at trying to renew them or maintain them, and there's a higher cost associated with that.

Stacey Marsh: Absolutely.

Jessie Lea: Whereas if there's an element of standardisation, it makes it easier. Is that something you think you might work towards in the future as a bit of an aspiration, or is it all too different to even consider?

Stacey Marsh: No, we're absolutely working towards some level of standardisation. We've got a team that's working on standardised designs for our new builds, and we've just had some in-patient wards that have been modularly built and being put on site. They are standard designs.

So the idea is that we would get input at the design standards stage, make sure that they are really fit for purpose as much as we can, and then the bespokeness will come slight dependent. And so we would, where we can, make sure that they're as standard as they can but it also helps our clinical teams and the users of the building, if they know that when they walk into a building, the oxygen's on the left on the medical services panels, etc.

So, absolutely working towards standardisation, and also within how we maintain – what's the level we want to maintain our critical assets to across the country?

How do we get benefits of scale with procuring? If we're getting clinical equipment or infrastructure equipment across the country, we know that, with our generators, we can get some standard procurement out of those...

Jessie Lea: ...rather than everyone individually trying to go to the market. That makes a lot of sense.

Stacey Marsh: You've got to understand the estate to be able to bundle it up like that. We're working on that.

Jessie Lea: Excellent. I know as well as obviously our National Infrastructure Plan having a focus on lifting health investment, it also talks about and makes recommendations for introducing legislation for central government agencies like Te Whatu Ora to produce long-term investment plans and asset performance reporting. The Government has recently endorsed those recommendations and is saying that that's something that we need to work towards. The Treasury will be working on developing that legislation to come into effect from 2027.

So, I'm just wondering what your thoughts are on what the benefits or challenges of those two bits are – the long-term planning and asset performance reporting – how that might impact you in Health NZ, and what you think about that coming down the line for you.

Stacey Marsh: I think it's absolutely needed, so it's very much welcomed by us. Our capital planning team has done some work with the release of the Health Infrastructure Plan. Actually, that was over a year ago now. That looks at our capital intentions, which is a massive piece of work.

When it comes to asset performance, we've got a lot of work that we need to do in that space to understand what we've got and how they are performing, to help support the capital planning and long-term investment plans. Our National Asset Management Strategy, that we released over a year ago now, is very clear about our intentions of lifting asset management planning, risk management, understanding the estate, our levels of service, determining what they are. All of that is to provide the data set or that evidence base to support what we maintain, how we maintain it and when we look at a long-term investment plan, a capital intervention.

So we very much welcome it. We know that there is a road ahead. We need to lift our maturity in that space, but we have made some pretty good in-roads in the last 18 months to help us get in a good position for it.

It's critically important for an agency that has such a critical service provision to New Zealanders to get it right.

Jessie Lea: Absolutely, and I think one of the challenges that we've seen historically, and are hoping to change going forward, is that often investment 'asks' from agencies are focused on the new shiny thing, so the new hospital in your case, and often at the expense of the maintenance renewals and operations of the existing state, looking after what you already have.

So I'm guessing, from what you're saying, that your approach now is starting to enable better conversations about those trade-offs. So people aren't having to decide it's a new hospital without understanding that there's only a limited pot of money, and you can't have the new hospital AND look after 20 other hospitals at the same time. Is that where your thinking is at the moment?

Stacey Marsh: Yeah, absolutely. Prioritising the money that we do have is critically important. We need to make sure that we're investing in the right place at the right time – that's an asset management dig in there!

So understanding what we've got, understanding what we want, and being able to use that as prioritisation across both – not only what we renew and what we maintain, but we make sure that we've gone through all of the non-capital interventions before we actually go to capital as the only thing left. So we know that, by the time we get to having a new hospital built, it's very well considered. I'm not suggesting it's not now, but what happens if somebody says, "Why are you investing in hospital A, not hospital B down the road?" We will have that evidence base to be able to say, "This is why, this is the clinical service demand, this is the profile of the assets" and...

Jessie Lea: Yeah, they're all coming back now to the levels of service and setting them and understanding them and understanding the assets and how they're meeting those targets – using that sort of bottom-up approach to then help you build what the future needs to look like.

Stacey Marsh: Yeah, absolutely. And, you know, we need to provide that evidence base for the local teams to be able to sense check it. So it's not just 'national' coming in and saying, "This is what it is". It's about providing that evidence base, so local teams can say, "Yes, that's a priority for us within that or not", because we're never going to have enough money to do it all, but allowing that top-down, bottom-up review will give us some certainty, I suppose.

Jessie Lea: It sounds like you will be putting a lot of those building blocks in place that we'll be thinking about when we provide assurance across government agencies. Do you have any thoughts about the introduction of this new assurance function?

Stacey Marsh: Yeah, I absolutely welcome it. So you know, historically, and in my experience, asset management has been the poor cousin to capital planning, and the value may not have been fully understood in how it supports the wider strategic planning of a portfolio. So what has tended to happen in my experience is it hasn't had the oversight that it potentially needed. I know we've got Cabinet Circular 23 (9), which sets out expectations, and agencies that I've been working for very much work towards the requirements in there. But having an Infrastructure Commission like yourselves, who is targeted and understands asset management, is going to be extremely beneficial across the board.

Jessie Lea: I think just sometimes having a mirror held up is all it takes to help people think a bit harder about what they're doing and incentivise some improvements, hopefully, and some support from the top leadership and executive layer to actually maybe put some money behind things and resource and prioritise some of those elements.

I think it's really interesting hearing you talk about the capital planning versus asset management conversation, and I think we could have a chat about how we define those different things. When you and I talk about asset management, we see it as a whole. You're looking at your whole estate, you're looking at all of your portfolio, and you're not differentiating. You know, is it a new capital or a new investment versus renewing or maintaining or operating my assets? You think about it all in one, but I think historically New Zealand has suffered from kind of partitioning off that new investment, that new capital, and it's not seen as part of the solution for managing your estate. It's dealt with quite separately. I think you've probably got some thoughts on that.

Stacey Marsh: It's an absolute bugbear of mine, the way that they are differentiated. In some scenarios they work really well together – the maintenance and renewals and the capital planning teams – and some maybe not so much.

For me, fundamentally, it's a 'how are we making sure our estate is meeting the needs of the people who are using them?'

Once we start segregating those conversations at the beginning, you're almost fixing the outcome at that point, right? It's either capital or it's maintain. So my question is always: how do I know that's what I want to maintain? How do I know that's what I want to renew?

Well, you've got to actually step back and do some strategic planning. An analogy that I use all the time that you hear and are probably a bit sick of: strategic planning for me is like writing a shopping list before you go to the supermarket. You've got a meal plan for the week, you write a shopping list, you look at the pantry, you look at the freezer, is there anything that I need? Can I use flour instead of corn flour, for example? Is there anything that's coming up to expiry? So that when you go to the supermarket, you've got an efficient use of the money that you have.

If we don't do that strategic planning right, that asset management broader function right, we're going to go to the supermarket and we're going to buy what we think we need.

Jessie Lea: Or what catches our eye!

Stacey Marsh: Yes, what catches our eye because I'm hungry and end up having nachos with chicken, as an example. So that strategic thinking at the beginning, the outcome of that could be that you need a capital project, and then the Better Business Case process and Benefits Realisation piece pretty much writes itself because you've done that free thinking.

Jessie Lea: It's your level of service. I've always thought there's a really strong link between that investment planning language around KPIs and benefits – it translates directly into levels of service and performance measures, but often those two things are not linked in an effective way, then we end up coming back from supermarket with all the wrong things in our basket.

Stacey Marsh: Yeah, that's exactly right, and I think if you do that strategic planning right, then we know the future use, particularly in our context of the building, the assets within that go along with the building envelope. Then I know how to maintain it. My facilities teams know what level to maintain, so we're not over-maintaining a building that we know we're going to get rid of in the next 10-15 years.

You can very clearly articulate what you're not investing in, which is equally as important as what you are, but that strategic planning doesn't get as much focus at the moment. It's very much maintain and renew, look after what you've got, and capital planning.

Jessie Lea: I do like that supermarket analogy, it's a good one. It really helps you to think about the importance of that prior planning and preparation.

Before we wrap up, is there any other final thoughts or pearls of wisdom you'd like to share?

Stacey Marsh: I think Health has come a long way in the last year to 18 months, about how we're investing in asset management as a whole. One of the big lessons for me is really clearly articulating asset management versus asset maintenance. Quite often, people think asset management is just looking after the existing – your maintenance – but the profession is broader than that.

Jessie Lea: Yeah, more strategic, more strategic long-term planning element.

Stacey Marsh: I think you know the work that's been done with the likes of yourselves and Apōpō around lifting what asset management actually means is key. And now that we've got the asset management function, you can see in some of these documents that they're talking about asset maintenance. So if we can continue to keep up the lessons around that, I think we're going to be in a really good spot.

Jessie Lea: Totally agree, because maintenance is obviously an incredibly important part of asset management, but it is only one part of that whole-of-asset life cycle. I think the whole point that we've been talking about today is that this is about looking across your whole-of-asset portfolio and all of the options and solutions there are for providing that level of service back to the community. Those assets are enabling you to do that, and we have to think about that in the biggest possible sense. It's not just maintenance – that is essential, but it is not the one and only thing in asset management.

Well, it's been a real pleasure talking to you, Stacey. I definitely find you an inspirational person, and I think hopefully you are going to inspire some other people with this chat we've had today as well. So thank you again for coming along.

Stacey Marsh: No, thank you.

Narrator: Thanks for listening to this episode of 'Infrastructure for a better future'. Find out more about the work of the New Zealand Infrastructure Commission and what we're doing to transform Aotearoa at **tewaihanga.govt.nz**