



TE TAI ŌHANGA  
THE TREASURY

# Gateway Review Report

## New Dunedin Hospital

### Assurance of Action Plan

November 2020

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# Assurance of Action Plan Review Report

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Agency Name	Ministry of Health
Project Name	Dunedin New Hospital
Senior Responsible Owner	Karen Mitchell
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Previous Gateway Review	Gateway ID 1344 Gate 2, Delivery Strategy
Previous Delivery Confidence Rating	Red/Amber (Programme), [Amber (Build Project)]
Previous Review Dates	08/06/2020 to 12/06/2020

Review Team Leader	s 9(2)(a)	s 9(2)(a)
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This report has been prepared by the Gateway Review Team in accordance with the New Zealand Government's Gateway Delivery Confidence Process. This review has been instigated through the escalation process following a Red /Amber Delivery Confidence rating

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## Important Notice

This report contains headline findings and recommendations only, and is not intended to be interpreted in isolation from the daily discussions and briefings to the SRO during this Review.

The provision of free and frank advice is key to the effective operation of the Gateway methodology. Release of such advice could prejudice the Gateway process as such advice might not be provided in future. To ensure that all relevant matters are considered please consult the Gateway Unit in Treasury before any public release of a Gateway report under the Official Information Act.

Direct any enquiries regarding the Gateway Review Process to the Gateway Unit, [gatewayunit@treasury.govt.nz](mailto:gatewayunit@treasury.govt.nz).

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# 1 Review Conclusion

## 1.1 Summary

This AAP Review addresses progress made against recommendations made by the Gateway 2 Review – Delivery Strategy carried out from 08/06/2020 to 12/06/2020.

## 1.2 Revised Delivery Confidence Assessment

<b>Delivery Confidence Assessment</b>	<b>RED /AMBER (Programme)</b> <b>[ AMBER (Build Project) ]</b>
<p>The Gateway Review Team finds that the New Dunedin Hospital build project has made some improvements in resourcing and is progressing early contractor engagement. The delivery team is strongly led but is hindered by a lack of clarity in the overarching governance and appropriate delegations.</p> <p>The June 2020 Gateway Review highlighted the need for governance clarity. This has been taken forward by the Ministry of Health. Additionally, it highlighted the need to adopt a wider perspective across the programme (including ICT integration and service transformation). Unfortunately, the content of that Gateway Review was not shared with the Southern DHB until immediately prior to this AAP. As a result, there has been little progress on the bulk of the recommendations made within it.</p> <p>The Delivery Confidence Assessment reported in June 2020 (and included at Section 2.1 of this AAP report) remains largely valid. The Review Team is of the view that a robust response to the recommendations should be enacted prior to the approval of the DBC and the subsequent approval of the ECE contract. There is a need to ensure that investment decision-makers can have greater confidence that the appropriate controls will be in place and that benefits realisation can be achieved.</p>	

Colour	Criteria Description
 G	Successful delivery to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
 A/G	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
 A	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not impact delivery or benefits realisation.
 A/R	Successful delivery is in doubt with major risks or issues apparent in a number of key areas. Prompt action is needed to address these, and whether resolution is feasible.
 R	Successful delivery appears to be unachievable. There are major issues which at this stage do not appear to be manageable or resolvable. The programme may need re-baselining and/or overall viability re-assessed.

### 1.3 Timing/Scope of the Next Investment Review

As noted in the June 2020 Gateway Review report:

The next Gateway Review should be a **Gate 3: Investment Decision** It should be held *prior to* submission of the Implementation Business Case.

**As a result of this AAP returning a Delivery Confidence Assessment of Red/Amber, Treasury Gateway Unit will advise on the need for any further AAP or interim healthcheck.**

Ministry of Health should contact the Gateway Unit at least 10 weeks before the next Gateway Review is needed, to request an assessment meeting at which the appropriate review type and dates will be confirmed. The Gateway Unit requires 8 weeks to arrange a Gateway Review following receipt of a signed confirmation from the SRO.

## 2 Background

### 2.1 Status at Previous Review

The previous Gateway Review (ID 1344) reported to Ministry of Health on 12/06/2020 and assessed the programme as follows:

#### Gate 2 Delivery Confidence Assessment

<p>Delivery Confidence Assessment</p>	<p><b>RED /AMBER (Programme)</b></p> <p>[ <b>AMBER (Build Project)</b> ]</p>
<p>If viewed in isolation, the build Project could be assessed at Amber, but since the building itself will not deliver the benefits sought from the Programme, the Review Team adopted a wider perspective.</p> <p>The Gateway Review Team finds that the successful delivery of New Dunedin Hospital is in doubt with major risks and issues in a number of key areas including:</p> <ul style="list-style-type: none"> <li>• The need to de-risk the build approach;</li> <li>• The need to adopt an integrated Programme Management approach;</li> <li>• The need to clarify the approval request for the Business Case;</li> <li>• The need re-structure the governance arrangements; and</li> <li>• The need to secure appropriate skills for Programme delivery.</li> </ul> <p>In addition, it will be essential to maintain clinical input and external stakeholder engagement.</p> <p>The over-riding issue throughout this Gateway Review is the need to restructure the governance arrangements with clarity of accountabilities along with appropriate financial delegations and empowerment.</p> <p>This needs to be achieved in the context of an integrated Programme which should be developed that embodies not only the hospital build but also the ICT integration and the Service Transformation in the DHB.</p> <p>In summary, when assessing a range of indicators for delivery confidence, the Review Team concludes:</p> <ul style="list-style-type: none"> <li>• Aim &amp; Scope - This is not well bounded.</li> <li>• Governance - This is the major issue.</li> <li>• Skills and Capabilities - This will be a challenge.</li> <li>• Key Processes - These are variably mature.</li> <li>• Dependencies - These are not adequately controlled.</li> <li>• Business Readiness to Change - This is not yet fully integrated.</li> </ul>	

## 2.2 Current Status of Project/Programme

The June 2020 Gateway Review report has not been shared with Southern DHB or Southern Partnership Group. Consequentially, much of its content has therefore not been taken forward to any significant degree. The Ministry of Health has developed proposed revised governance arrangements which have now been endorsed by the DG and supported by Ministers. The enactment of the revised governance ought to be the key to putting the programme on a firmer footing, but as this has not yet occurred, no results-based evidence is available to the Review Team. The analysis of the programme therefore remains largely as it was five months ago.

## 2.3 Scope of the Assurance

Seven recommendations were made by a Gateway 2 Review (ID 1344) carried out from 08/06/2020 to 12/06/2020.

The purpose of this Assurance of Action Plan is to:

1. Review the recommendations from the previous review.
2. Provide an assessment on the suitability of the action plan to address the issues and deal with the recommendations.
3. Provide commentary to the SRO that the action plan is being pursued effectively to put the programme back on track.
4. Provide a revised Gateway Delivery Confidence Rating for the project/programme.

In order to form an opinion in relation to this Review, the Review Team has:

- ▶ Considered the findings and recommendations of the previous Gateway review
- ▶ Interviewed relevant project stakeholders
- ▶ Reviewed relevant documentation.

This report is an evidence-based snapshot of the programme's status at the time of the AAP. It reflects the views of the AAP team, based on information evaluated over a three day period, and is delivered to the SRO immediately on conclusion of the AAP.

Direct any enquiries regarding the AAP process to the Investment Reviews Unit, [investmentreviews@treasury.govt.nz](mailto:investmentreviews@treasury.govt.nz)

## 2.4 Acknowledgements

The AAP team is particularly grateful to the Project Team and in particular Emily Leopold for their help in planning and supporting this AAP review.

## 3 Commentary and Analysis

### 3.1 Comments on the Action Plan for Each Recommendation

In reviewing the Action Plan resulting from the Recommendations from the previous Gateway Review, the review team assesses the impact of those plans against each Recommendation:

Ref. No.	Recommendation	Criticality
R1.	Develop a detailed procurement plan evaluating the procurement options for the build, which could provide the opportunity for lessons learnt from the early stage of delivery to inform final design and delivery of the later stage.	Critical – Do Now
<p><b>Commentary:</b></p> <ul style="list-style-type: none"> <li>• The Review Team understands that the Procurement Plan developed for the build project component of the overall programme has considered the risks and opportunities of the various procurement models together with Lessons Learned from recent large building projects in New Zealand along with input from the construction sector.</li> <li>• The Early Contractor Engagement (ECE) model Request for Proposal (RFP) recommended and recently approved by Cabinet is scheduled to be released to the market in the coming weeks.</li> <li>• The Procurement Plan sighted by the Review Team does not include a 'Plan B' if there are no appropriate responses received from the market. Risk Management practice for a project of this scale and complexity would normally require this to be considered and included in any plans put forward for consideration and endorsement.</li> <li>• The Procurement Plan includes an approach to the evaluation of the proposals received back from industry but not a detailed ECE Evaluation Plan which would normally include the schedule of approvals and authorisations to enable the award to proceed. In order to meet standard probity requirements, the ECE Contract Evaluation Plan will need to be finalised and endorsed before the receipt of responses from the market.</li> <li>• Interviewees expressed concerns over the size and complexity of the build on several fronts: -             <ul style="list-style-type: none"> <li>○ Lead contractor capacity and capability to manage the design finalisation process, early works, structural complexity (seismic issues) and the coordination of subcontractors through to final fitout and commissioning.</li> <li>○ Subcontractor capacity and management expertise to meet the requirements of this large and complex build project particularly in the critical services trades such as fire, electrical and mechanical services areas.</li> <li>○ Construction Industry capacity to provide a skilled trade workforce to meet the schedule articulated in the business case.</li> <li>○ Client's ability to make decisions with the appropriate level of delegation assigned to those best able to evaluate the impacts of the decisions. The Review Team understands that a revised Governance Structure is being considered together with a revised delegation allocation to key Delivery Team members. The delay in the finalisation of the revised governance and delegations has in part contributed to the current delays to the schedule.</li> </ul> </li> </ul>		

	<ul style="list-style-type: none"> <li>○ Further delays to approval to engage an ECE contractor would reduce the benefits of the ECE model in influencing the design from a constructability perspective.</li> <li>• Interviewees were of the view that the ECE model chosen would provide the appropriate level of risk allocation between the Contractor and the Principal and provide opportunities for the creation of a contracting entity capable of attracting and consolidating the requires skills currently disbursed across New Zealand.</li> </ul> <p><b>Status now:</b> Under Action</p>
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Ref. No.	Recommendation	Criticality
R2.	<p>Formalise the build Project as one component of an overarching Programme, which also includes ICT Integration and the Service Change activities in both Hospital and Primary/Community settings.</p> <p><b>Commentary:</b></p> <ul style="list-style-type: none"> <li>• The ICT strategy for the Southern DHB is in progress and a business case has been prepared, seeking approval for approximately \$200m. The ICT strategy spans the DHB and, as such, the NDH is a subset. The Detailed Business Case is anticipated to be ready in mid 2021.</li> <li>• In the months since the June Gateway Review there appears to be greater cognisance of the need to include ICT as an element of the NDH Programme, and for the funding to be clarified so that the total investment package can be better understood.</li> <li>• Many interviewees are of the view that ICT progress and Models of Care development are not happening quickly enough. There is a reported sense of relaxation that with the main build not being complete until 2028 there is plenty of time to deal with Models of care and ICT implications for the design.</li> <li>• The MoH Delivery Team have obtained additional services from the Design Consultants to assist with provisioning for ICT in the design in the absence of adequate information from the DHB.</li> <li>• There appears to be a lack of clarity of the interface and timing of information flows between Southern DHB and MoH. Models of Care (MoC) should be built on an expectation of ICT integration to support the delivery of the new Clinical Care in a new building (and community settings) but the information is needed early to inform Design. Many interviewees appear unconcerned by this factor, though the Review Team observes that the DHB PMO continues to work with the MoH Delivery Team to improve relationships and information flows. This is encouraging.</li> <li>• Two Crown Monitors are deployed at Southern DHB, with a view amongst some interviewees that the DHB is underperforming and that there are financial and political tensions both within the DHB and between the DHB and MoH.</li> <li>• Service Change activities are yet to materialise as a formalised project with an overarching programme, though the Review Team understands that a 'strategic refresh' is due to be undertaken by the Southern DHB in June 2021.</li> <li>• Southern DHB have been directed by both Cabinet and the MoH to produce a 'Change Management Programme' to ensure visibility of all issues aligning across the Service</li> </ul>	Critical – Do Now

	<p>Change and ICT Integration with the build project to ensure benefits realisation from this significant investment.</p> <ul style="list-style-type: none"> <li>In the five months since the Gateway Review in June 2020, where the predominant issue to be tackled was the revision of governance and the establishment of a programme to encapsulate the totality of the change required by Southern DHB to realise the benefits from the investment, MoH has put considerable effort into crafting the proposals for MoH DG and Ministerial endorsement.</li> <li>The Gateway Review report has, however, been unsighted by Southern DHB until the week of this follow-up AAP in November 2020. The Review Team considers this to be a significant loss of opportunity for the Southern DHB to have embraced and progressed the intent of the recommendations contained in the original June 2020 Gateway Review report. In essence, five months have been lost, during which the Southern DHB leadership could have been developing options and contributions for how to take the programme forward.</li> <li>Interviewees are largely of the opinion that there has been no appreciable progress on the formalisation of a Programme in the intervening period.</li> <li>The dependencies among Models of Care / ICT integration and the build project appear to be not well understood amongst several interviewees. As such, the concept of a 'Change Management Programme' is still not well understood by key stakeholders.</li> </ul> <p><b>Status now:</b> Under Action</p>
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Ref. No.	Recommendation	Criticality
R3.	<p>Develop an Executive Summary that clearly articulates what approval is being sought for the <i>Project</i>, what additional approvals will be needed for further related business cases (e.g. ICT) and the extent of business change activities that will be required if the totality of the aspirational benefits are to be achieved, by the <i>Programme</i>, through this enabling investment in a new building.</p>	Essential – Do By Business Case submission
	<p><b>Commentary:</b></p> <ul style="list-style-type: none"> <li>The Detailed Business Case has been revised to address this recommendation, which is reported as 'complete' by the MoH HIU.</li> <li>The Review Team re-emphasises the difference between the (build) Project and the overarching (Change) Programme and the need for business case approvals to be made on the understanding of the overall investment required to realise the benefits.</li> <li>Some interviewees observed that the DBC Executive Summary remains sub-optimal in its clarity in this regard, though the Review team was told that Cabinet has approved the DBC in principle.</li> <li>Additionally, an IBC has been prepared by the Southern DHB for the ICT requirements across the DHB, including for New Dunedin Hospital. Interaction with the Treasury Business Case Clinic team was highly praised by Southern DHB colleagues.</li> <li>The ICT requirement for the DHB encompasses more than just NDH and as such the approval for ICT can be considered as a 'Venn diagram' overlapping with the approval for the build project. This is logical and should not prevent the overall programme being</li> </ul>	

	<p>governed as a cohesive whole, with funding being drawn down from multiple sources. This is not unusual.</p> <ul style="list-style-type: none"> <li>• The Service Change costs were not visible to the Review Team and it is not clear to what extent they have been (or are currently able to be) costed.</li> <li>• The DBC identifies a number of costs over and above the main build project, including ICT, Patient Information System, Interprofessional Learning Centre, Workforce Changes. The full costs of the entire programme continue to have some elements of uncertainty, which will need to be addressed over the life of the programme.</li> <li>• Approval has already been granted for the Early Contractor Engagement (ECE) in order to establish early momentum and assessment of ‘constructability’ of the overall build. Funding approved to the end of 2021 for current scheduled works includes continuance of site clearing, demolition, removal of contaminated materials, pile testing, and possibly some early works by the ECE.</li> <li>• At the current time, the overall cost (approx. \$1.47b) remains over approvals but an independent cost estimator has been engaged. Additionally, early Value Engineering activities appear to be identifying potential areas to bring the build into budget.</li> <li>• Some concern was expressed that the build project is going to market without Government understanding what the total cost (of the overall change programme) is or clarity around benefits realisation.</li> <li>• The Benefits Realisation Plan is yet to be significantly developed. The Review Team was advised that it has been completed by the Southern DHB and will be available for consideration in the coming weeks.</li> <li>• The Review Team understands that the DBC will be due for formal submission in February 2021 with anticipated approval around March 2021.</li> </ul> <p><b>Status now:</b> Actioned</p>
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Ref. No.	Recommendation	Criticality
R4.	Maintain and strengthen Clinical Leadership input to, and ownership of, the healthcare re-design (wider models of care) and patient flow aspects of the building design.	Essential - Ongoing
	<p><b>Commentary:</b></p> <ul style="list-style-type: none"> <li>• The Clinical Leadership Group (CLG) engagement is reported as functioning well. There are two other bodies – the Clinical Council and the Alliance Leadership Forum, which provide additional avenues for clinical representation. The Review Team was told that it is unclear how/if these all join up nor to what degree they provide the basis for input on key decisions.</li> <li>• The focus of activities of the Clinical Leadership Group appears to be limited to consideration of design issues for the build project rather than the wider MOC and service delivery across the Southern DHB.</li> <li>• Some concerns were expressed to the Review Team about the integration of clinical input to inform requirements and the resultant schedule of accommodation for the build project.</li> </ul>	

	<ul style="list-style-type: none"> <li>The Review Team has concerns around the level of ICT integration in development of future MoC – i.e. we don't want to build a facility for today's practices; it needs to be built for the future and be agile enough to evolve to changing clinical practices over its life.</li> <li>International Best Practice/Peer Reviewing of Clinical Planning to ensure a contemporary approach to the delivery of healthcare ought to be a prominent factor on a project of this scale. The Review Team was unsighted as to what degree this is (or is not) occurring.</li> </ul> <p><b>Status now:</b> Under Action</p>
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Ref. No.	Recommendation	Criticality
R5.	Ensure ongoing stakeholder engagement through a form of Stakeholder Reference Group, augmented with Iwi, academic and local community representation.	Essential – Ongoing
	<p><b>Commentary:</b></p> <ul style="list-style-type: none"> <li>Stakeholder engagement continues to be exercised through extant means.</li> <li>The Review Team was told that there has been more pro-active engagement with the media and the public, leading to greater awareness and support. This has been evidenced in a reduction in Official Information Act (OIA) requests and the granting of (unchallenged) permission to proceed with demolition of heritage facades.</li> <li>Any change to stakeholder engagement arrangements is likely to occur in concert with changes to programme and project governance, which are yet to be implemented.</li> <li>This recommendation is, therefore, being progressed in spirit but may need further attention as the implications of governance changes flow through to revised mechanisms for maintaining stakeholder engagement.</li> </ul> <p><b>Status now:</b> Under Action</p>	

Ref. No.	Recommendation	Criticality
R6.	Re-structure the Governance arrangements, with clarity of accountabilities at Portfolio, Programme and Project level; along with appropriate financial delegations and empowerment.	Critical – Do Now

<p><b>Commentary:</b></p> <ul style="list-style-type: none"> <li>• Immediately following the June 2020 Gateway Review, MoH embarked on developing proposed revised governance arrangements. A paper was prepared, endorsed by the MoH DG and submitted to Ministers for consideration.</li> <li>• In the meantime, the Gateway Review report was not circulated and its conclusions and recommendations were not shared with Southern DHB colleagues or the Southern partnership Group (SPG).</li> <li>• The Review Team was surprised to learn that the report was circulated only just ahead of this AAP, thus (in the opinion of the Review Team) reducing the value of the timeliness of Gateway and resulting in five months of lost opportunity to make changes to improve probability of success.</li> <li>• The Review Team understands that the proposals for changed governance have been agreed with ministers and that the changes are due to be enacted imminently.</li> <li>• In the intervening five months between the June Gateway review and this AAP there have of course been the challenges of Covid-19, an election, Ministerial changes and a degree of churn in senior positions at MoH. Nonetheless, the development of proposed changes and securing Ministerial agreement ought not to have prevented wider learning or opportunities to progress on other fronts as discussed and recommended in the Gateway report.</li> <li>• The Review Team observed, unsurprisingly, a high degree of frustration at the apparent 'secrecy' being kept over the Gateway report and this has served only to further deepen a culture of distrust that appears to exist between 'the Ministry' and the Southern DHB.</li> <li>• A new independently chaired Steering Committee is to be established imminently and will start operating from early 2021.</li> <li>• Clarity surrounding the revised governance is required so that all stakeholders can be clear about their respective roles and accountabilities and so that the relationships between the build project governance and the overarching change programme can be cemented.</li> <li>• The SPG continues to act as the governing body and there will be a need to ensure that commitments made under the extant regime segue into the future regime without issues. To that end, the sooner the new steering committee is established and its membership appointed, the smoother the handover. The proposed disestablishment of the SPG could also link to the new stakeholder reference group idea floated by the Gateway Review team in June 2020.</li> <li>• The Review Team was advised that the Southern DHB is suffering some performance issues and currently has two Crown Monitors appointed. Additionally, there is some churn on the ELT with the resignation of the CFO and the changes in Chair.</li> <li>• The Southern DHB is currently running a deficit budget which has the potential to divert Executive Leadership and decision-making from the critical decisions required to progress the NDH in a timely manner.</li> <li>• On 4<sup>th</sup> November 2020, the MoH DG issued a letter to the acting Chair of the Southern DHB requesting the establishment of a 'dedicated New Dunedin Hospital SDHB Programme Board, specifically to oversee the DHB workstreams that will enable the expected benefits from the New Dunedin Hospital investment to be realised". The Review Team observes that the revised governance is requested by the DG to be put in place no later than March 2021. With the DBC being formally submitted in February 2021, the Review Team encourages that the governance be established in advance, and hence a slightly more rapid timetable than indicated by the DG. This should ensure that the new governance environment is in place prior to major commitments being made.</li> </ul>
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	<ul style="list-style-type: none"> <li>• The establishment of that overarching programme board is in the spirit of the Gateway Review Team’s recommendation to ensure accountability and control for the total investment and ensure that benefits realisation could be assured through joining together service change ICT integration and the new build.</li> <li>• It is worth noting that the Digital Strategy for Southern DHB is under development and will feed into the NDH requirements.</li> <li>• The Review Team was told that as a result of the hiatus, there is still a lack of clarity around governance, reporting lines and decision-making which is resulting in a lot of busy work in tailoring reports to suit multiple audiences and attending multiple meetings.</li> <li>• Financial delegations are being resolved and changes are imminent. Some interviewees expressed concerns about the actual degree of empowerment that will be granted to different levels of decision-makers the revised governance.</li> <li>• This recommendation was the most significant issue in the June 2020 Gateway Review report. It arose from an almost universal expression of concern across the interviewee base and docks into the adoption of international best practice P3M (Portfolio, Programme, Project Management) as supported by Recommendation 2.</li> <li>• The work done to shape a proposal for revised governance proposal, secure the endorsement of the MoH DG and the agreement of Ministers has been key to now putting the NDH on a firmer footing. However, the five-month period when the Gateway Review report was not shared should have been a period during which the essence of the Gateway Review report could have been distilled and enacted. This was a lost opportunity.</li> </ul> <p><b>Status now:</b> Under Action</p>
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Ref. No.	Recommendation	Criticality
R7.	<p>Develop a skills profile and resource requirement and recruit as appropriate in order to address the need to manage the:</p> <ul style="list-style-type: none"> <li>• Programme (including change management); and</li> <li>• Project (including Contract delivery),</li> </ul> <p>simultaneously and in a co-dependent manner.</p>	Critical – Do Now
	<p><b>Commentary:</b></p> <ul style="list-style-type: none"> <li>• The Review Team observes that an appropriate Delivery Team structure has been established. Whilst not yet fully funded or resourced, some recruitment through short term contracts is being progressed. This is giving early traction in the delivery team.</li> <li>• The scoping of positions is significantly underway, though Covid-19 is presenting impediments to recruitment, especially from overseas.</li> <li>• As New Zealanders return to Aotearoa, there has been an increased expression of interest in available positions. This is encouraging.</li> <li>• There is an eagerness to progress the build project apace, and there is a recognised risk that the delivery schedule could outstrip the Delivery Team’s ability to resource appropriately. This risk seems unlikely given the anticipated constraints of the building supply chain (e.g. Tier 1 contractors)</li> </ul>	

	<ul style="list-style-type: none"> <li>• The differences between Programme and Project Management disciplines are not yet well understood and the Review Team observes no progress in scoping or recruiting suitably qualified and experienced personnel in Programme Management. This is as a direct consequence of the timeframe taken to agree revised governance and approach, coupled with a lack of visibility by the Southern DHB of the June 2020 Gateway Review report.</li> <li>• Encouragingly, development of benefits metrics is underway and due to be submitted to the Southern DHB ELT imminently. Benefits management is a core discipline of programme management and it is a positive step to be progressing this ahead of the DBC formal submission.</li> <li>• Southern DHB has enlisted the help of a benefits specialist from IRD to aid benefits realisation planning. IRD has demonstrated world class benefits management as part of its Business Transformation Programme. It is good to see the transfer of good practice across sectors.</li> <li>• The relationship between MOH and Southern DHB is said to be strong at working level in Dunedin. This was borne out in interviewees. Conversely, there appears to be an urgent need for 'Wellington' MoH and the Southern DHB to forge stronger communications and a greater sense of common purpose. Many interviewees accepted that Covid-19 had had an impact on travel, but were keen to see greater cohesion in energising the overall programme.</li> </ul> <p><b>Status now:</b> Under Action</p>
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### 3.2 Further Recommendations or Actions

The Review Team does not raise any additional recommendations at this time, since only one of the seven recommendations made five months ago has been completed. The other six are works in progress but yet to demonstrate any significant impact on delivery confidence. Those recommendations should be addressed as a matter of priority prior to the formal submission of the DBC in February 2021.

# Appendix 1 – Types of Investment Reviews

## Investment Reviews for Projects and Programmes

### 1. Gateway reviews

Broad strategic reviews held during the pre-investment and implementation stages just before each key decision point.

- ▶ Mandated for projects and programmes assessed as high risk.

### 2. Operational and Benefits Realisation reviews

Reviews focussed on contract management, benefits and operational performance after transition into service. These are designed to be repeated throughout the life of the service, with an early review typically 6-12 months after project handover to operational service and repeatable reviews until the benefits have been realised.

- ▶ Mandated for projects and programmes assessed as high risk.

### 3. Targeted Investment Reviews

Narrow-scope reviews that can be held at any time with a bespoke terms of reference, for example when issues or concerns are identified.

- ▶ May be initiated by an agency or by the Corporate Centre or ministers.

## Gateway Reviews

During the development and implementation of a programme or project, the **Gateway process** is designed to provide confidential independent guidance to Senior Responsible Owners (SROs)/sponsors, and indirectly to programme and project teams, on how best to ensure that their programmes and projects are successful. Gateway reviews provide Ministers with the assurance that at key points in a high-risk project or programme the SRO has been provided with peer-level independent advice to help improve the project or programme's chances of successful implementation.

The Gateway Review process examines programmes and projects before key decision points. It looks ahead to provide assurance that they can progress successfully to the next stage; the process is recognised as best practice by the United Kingdom, Australian and New Zealand Governments.

Gateway reviews are mandatory for high risk projects and programmes of the following types, regardless of the source of funding:

- ▶ acquisition/procurement programmes and projects, whether capital expenditure, asset disposals, lease arrangements, or “as a service” investments
- ▶ ICT-enabled business change
- ▶ property/construction developments.

## Operational and Benefits Realisation Review

In 2015, Cabinet Office Circular CO (15) 5 replaced the existing Gateway Gate 5: Benefits Realisation and Operational review with a new Investment Review to meet government requirements for visibility of benefits realisation.

An Operational and Benefits Realisation review is not a Gateway review, although it is facilitated by the Investment reviews team in Treasury and follows a similar process, and Gateway reviewers may be on the review team. The key differences:

- ▶ The primary focus for this review is operations review and benefits realisation while Gateway Reviews focus largely on project and programme delivery.
- ▶ The report is not confidential to the business owner; it may be requested by ministers and will be published to the Public Sector Intranet or other location so that lessons can be shared among government agencies.
- ▶ The team members may include a representative of the Central Agencies (Treasury, DPMC, SSC) or Functional Leads (GCDO, NZGPG, NZDS) with particular interest in the benefits arising from a project or programme.

## Targeted Investment Reviews

Cabinet Office Circular CO (15) 5 identified a requirement for alternative investment reviews for use when Gateway is less appropriate, for example as a between-Gateway healthcheck or when a narrow targeted scope is required rather than a strategic review.

A Targeted Investment Review is a bespoke investment review that can be requested by an agency, the Corporate Centre or ministers at any time. It is conducted against a tailored terms of reference.

## Value of an independent review

Treasury Investment Reviews deliver a 'peer review' in which independent practitioners from outside the programme/project use their experience and expertise to examine the progress and likelihood of successful delivery of the programme or project. They are used to provide a valuable additional perspective on the issues facing the internal team, and an external challenge to the robustness of plans and processes.

The Investment Review process provides support to SROs and operational Business Owners in the discharge of their responsibilities to achieve their business aims, by helping them to provide assurance that:

- ▶ the best available skills and experience are deployed on the programme or project
- ▶ all the stakeholders covered by the programme/project fully understand the programme/project status and the issues involved

- ▶ the programme/project can progress to the next stage of development or implementation and that any procurement is well managed to provide value for money on a whole-of-life basis
- ▶ realistic time and cost targets for programmes and projects have been applied.

Additional value is delivered through:

- ▶ improved knowledge and skills among government staff through participation in reviews
- ▶ provision of advice and guidance to programme and project teams by fellow practitioners.

### **Investment Reviews as Part of the Assurance Framework**

Every agency should have its own structures and resources for carrying out internal reviews, healthchecks and audits of its activities, including programmes and projects. A Gateway Review process provides a forward-looking snapshot view of progress at a point in time and therefore should be seen as complementary to these internal processes and not a replacement for them.

Organisations should have in place an effective framework to provide a suitable level of assurance for their portfolio of programmes and projects. This requires management to map their assurance needs and identify the potential sources for providing them (for example through IQA providers). Agencies are encouraged to ensure adequate and timely co-ordination and sharing of information, including plans, between the various internal review functions.

In addition, SROs should be aware of the extent and limitations of the various review processes. For example, the fact that a Gateway Review has taken place does not replace the need for a full audit opinion on the effectiveness of risk management, control and governance in the audited area.

Further, none of these review processes is a substitute for a rigorous governance framework in the organisation to manage key processes, including business planning, investment appraisal and business case management (including benefits management), programme and project management, portfolio management, risk management, procurement/acquisition, and service and contract management.

## Differences between Gateway and other Investment Reviews

Gateway Reviews are designed to give strategic reviews of high risk projects and are mandatory. The other investment reviews offered in 2018 are:

- ▶ The Assurance of Action Plan, a mandatory follow-up a few months after a red or amber/red Delivery Confidence rated Gateway review.
- ▶ The Operations and Benefits review, more widely distributed findings that replaces the previous Gate 5 review.
- ▶ The Targeted Investment Review, a customisable review that can be used at any time.

Review Aspect	Gateway	AAP	Ops/Ben	TIR
Confidential interviews by peer review team	Yes	Yes	Yes	Yes
Managed by IMAP Investment Review team	Yes	Yes	Yes	Yes
Experienced, independent Gateway Reviewers	Yes	Members previous team	Yes	Usually, but can be outsourced
Scope can be customised	Slightly	Driven by previous Gateway	Slightly	ToR negotiable
Review team includes at least one NZ senior public servant to give the team a public sector lens, and to develop public service internal capability	Yes	Possibly	Yes	Negotiable
Rates Delivery Confidence for project / programme success	Yes	Yes	Yes	For scope of review
Mandatory for high risk projects	Yes	Yes	Yes	No
Forward looking recommendations for the next project/programme stage	Yes	Yes	Yes	For scope of review
Timing	As per project stage	3months after red status	12months after in-service	Negotiable
Repeatable	Possibly	No	Possibly	No
Confidential to the SRO	Yes	Yes	No	No
Independent consultants on the Review Team, explicitly precluded from seeking further work with the project.	Yes	Yes	Yes	Usually
Can include reviewers from Central Agencies or Functional Leads	No	No	Yes	Yes
Duration, including planning and reading	7 days	4.5 days	7 days	Negotiable
Number of reviewers	4	2	4	2 to 4
Cost as at 2018	\$75,000	\$25,000	\$75,000	Negotiable

## Appendix 2 – List of Interviewees

No.	Name	Role/Position
1.	Karen Mitchell	Senior Responsible Owner
2.	John Hazeldine	Chief Advisor, DHB Performance Support & Infrastructure, MOH
3.	Robyn Shearer	Acting Deputy Director-General, DHB Performance Support & Infrastructure, MOH
4.	Karl Wilkinson	Director, Health Infrastructure Unit, MOH
5.	Mike Barns	Programme Director, New Dunedin Hospital Project, MOH
6.	Adam Feeley	Project Director, New Dunedin Hospital Project, MOH
7.	Hamish Brown	Programme Manager, New Dunedin Hospital Project, Southern DHB
8.	Chris Fleming	Chief Executive, Southern DHB
9.	David Perez	Acting Chair, Southern DHB
10.	Dr John Adams	Chair, Clinical Leadership Group, Southern DHB
11.	Mike Collins	Executive Director People, Culture and Technology, Southern DHB
12.	Pete Hodgson	Chair, Southern Partnership Group
13.	Sebastian Doelle	Team Leader, Health & ACC, Treasury
14.	Lisa King	Investment Management & Asset Performance, Treasury
15.	Jim Coard	Principal Advisor, Major Projects and Advisory, Infrastructure Commission
16.	Blake Lepper	Principal Infrastructure Advisor, Infrastructure Commission
17.	Matt Allen	Director, Project Management, RCP
18.	Evan Davies	Chair, Capital Investment Committee
19.	Peter Neven	Chair, Technical Reference Group & Member of Disputes Advisory Board (MOH)

## Appendix 3 – List of Documents Reviewed

NO.	DOCUMENT TITLE	VERSION No. and/or PUBLICATION DATE
<i>Uploaded 19/10/2020</i>		
1.	Gateway Review Report 2: Delivery Strategy – Detailed Business Case	Final - 12/06/2020
2.	Final Detailed Business Case (DBC)	Approved in principle by Cabinet
3.	Detailed Business Case Health Report (20201074)	Final – 09/07/2020
4.	DBC Cabinet Paper	Final – 27/08/2020
5.	DBC Cabinet Minutes	Final – 27/08/2020
6.	Project Governance Health Report (20201075)	Final – 09/07/2020
7.	Project Governance Cabinet Paper	Final – 17/09/2020
8.	Governance Cabinet Minutes	Final – 07/09/2020
9.	New Dunedin Hospital Governance Transition Arrangements Health Report (20201790)	Final – 02/10/2020
10.	Procurement Plan	Draft V1.2.1 – 15/10/2020
11.	Monthly Progress Report	July, August, September 2020
12.	Steering Group Meeting Minutes	July, August, September 2020
13.	Southern Partnership Group Meeting Minutes	July, August, September 2020
14.	100% Concept Design Report	Final - 18/09/2020
15.	Master Programme (Detailed and Summary versions)	Revision 2.4.2 – 16/07/2020
16.	Cost Estimate	Provisional - 14/10/2020
17.	Communications & Engagement Strategy	Final – Approved by Steering Group – 09/09/2020
<i>Uploaded 22/10/20</i>		
18.	Gateway 2 Review Action Plan	Last updated 20/10/2020

<i>Uploaded 27/10/2020</i>		
19.	SRO Presentation Slides (from planning workshop)	Final - 27/10/2020
<i>Uploaded 13/11/2020</i>		
20.	Risk Registers	Draft – in the process of being refreshed and uploaded to CAMMS Risk online software.
21.	DBC Update Memo to Steering Group	Final - 12/11/2020
22.	Business Case and Governance advice from Infracom	Final - 20/08/2020
23.	Procurement Plan Review advice from EY	Final - 28/04/2020
24.	Updated Project Assurance Plan	Draft – undergoing a review by KPMG
25.	Signed Memo to MOH Director-General on Revised Governance Arrangements, ECE procurement and Delegations Decision	Final - 06/11/2020
26.	Southern DHB PMO team org chart (current team)	Final - November 2020
27.	MOH NDH Project Team (current team)	November 2020
28.	MOH NDH Project Team (future proposal)	Draft – not approved. Document for discussion.
<i>Uploaded 16/11/2020</i>		
29.	Steering Group Agenda & Papers (including ECE RFP material)	Final - 13/11/2020