

In Confidence

Office of the Minister of Health

Chair, Cabinet

New Dunedin Hospital Governance

Proposal

- 1 I seek Cabinet's approval to disestablish the Southern Partnership Group and implement the proposed new governance structure for the redevelopment of Dunedin Hospital.

Relation to government priorities

- 2 The redevelopment of Dunedin Hospital supports the achievement of one of the Government's main health priorities:
 - 2.1 better population health outcomes supported by a strong and equitable public health and disability system.
- 3 Southern District Health Board (DHB) will require significant investment in infrastructure over the next ten years. This investment in Dunedin contributes to development of a stronger public health system that will be equipped to deliver better health outcomes for the population of Otago and surrounding regions and their whānau. Redevelopment will also support an increase in employment during the COVID-19 recovery phase.

Executive Summary

- 4 In Budget 2019, Cabinet agreed to a total budget for the redevelopment of Dunedin Hospital of \$1.4 billion [CAB-19-MIN-0174 refers].
- 5 The Ministry of Health (the Ministry) is responsible for managing and delivering the infrastructure component of the investment (New Dunedin Hospital Project). The Southern Partnership Group appointed by the then-Minister of Health in 2015 governs the New Dunedin Hospital Project.
- 6 Southern DHB is responsible for the development of services to be delivered in the new infrastructure; models of care, service delivery and information and communications technology (ICT) form the DHB Transformation Programme. The Southern DHB Board governs the DHB Transformation Programme.
- 7 The Treasury's June 2020 Gateway Review of the New Dunedin Hospital Project identified governance as the most pressing risk to the successful delivery of both the New Dunedin Hospital Project and DHB Transformation Programme. Cabinet requested that officials review the governance structure [CAB-19-MIN-0174.19 refers].
- 8 Officials from the Ministry, The Treasury, The Department of Prime Minister and Cabinet and the Infrastructure Commission have subsequently undertaken a

process to identify an alternate governance model. The objective of the proposed new governance structure is to provide Cabinet with a governance option that provides assurance around fiscal controls, the timely delivery of fit for purpose buildings and the development of quality services to ensure intended investment outcomes are achieved.

- 9 I recommend that an Executive Steering Group is appointed to oversee the delivery of the New Dunedin Hospital Project. The appointment of appropriately experienced members will ensure governance and decision-making is focused on successful project delivery and realisation of expected benefits from the investment.
- 10 I recommend that Southern DHB is requested to establish a formal DHB Transformation Programme and Transformation Programme Board to oversee the delivery of the models of care, service delivery and ICT components of the investment.
- 11 I recommend that the Local Advisory Group provide the proposed Executive Steering Group with local advice and insights into the New Dunedin Hospital Project. I propose that the Local Advisory Group also directly provide the Minister of Finance and I (joint Ministers) with advice on local matters relevant to the New Dunedin Hospital Project.
- 12 I will receive independent assurance and advice on the New Dunedin Hospital Project from the Capital Investment Committee and from Southern DHB's Crown Monitors on the DHB Transformation Programme.

Background

- 13 The New Dunedin Hospital Project is managed by the Ministry on behalf of Southern DHB. The Ministry holds and manages contracts on behalf of The Crown and owns the buildings until practical completion. Following completion of each building (Inpatients and Outpatients) the Ministry will transfer ownership to Southern DHB.
- 14 The Southern Partnership Group was established on 14 September 2015 by the former Minister of Health [CAB Min (15 Min 0061) refers]. The Southern Partnership Group is the last of three Hospital Rebuild Partnership Groups established by the former Government to oversee the rebuilds of Christchurch (post 2011 earthquake), Greymouth and Dunedin Hospitals.
- 15 The Southern Partnership Group's current membership comprises five ministerial appointed members; the Chair, Hon Pete Hodgson, Stephen Willis, Dr Margaret Wilsher, Dr Andrew Connolly, and Richard Thomson. These appointments were agreed by the Cabinet Appointments and Honours Committee.
- 16 Under its current terms of reference, the Southern Partnership Group is accountable to joint Ministers to provide direction, monitoring and independent assurance for the successful delivery of the New Dunedin Hospital Project in accordance with ministerial and Cabinet direction within time, scope, quality and budgetary requirements.

Issues with Health Capital Governance and Delivery

17 In 2015, the Office of the Auditor-General reviewed the governance and accountability arrangements of Canterbury DHB's Christchurch Acute Services Building Project including the Hospital Redevelopment Partnership Group and identified the following key issues.

17.1 No one person or group was accountable for the successful delivery of the project. There were conflicting views about who was accountable for what and to whom.

17.2 There was a need for clearer roles and responsibilities to provide a framework for resolving disagreements between partners.

17.3 The Hospital Redevelopment Partnership Group's accountability did not match its authority. In practice, it made decisions and the Ministry acted on them. However, it did not have the authority to tell the Ministry how to act.

17.4 The Ministry needed to increase its capacity and capability to deal with the major health capital projects it manages.

18 The issues identified with the governance arrangements and management of the Christchurch Acute Services Building Project have also been seen in the New Dunedin Hospital redevelopment.

19 [REDACTED]

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20 Furthermore, the Southern Partnership Group's role as an independent assurance body has duplicated the function of the Capital Investment Committee and decreased its ability to provide the Minister of Finance and I (joint Ministers) with robust independent advice.

Gateway Review

21 [REDACTED]

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22 [REDACTED]

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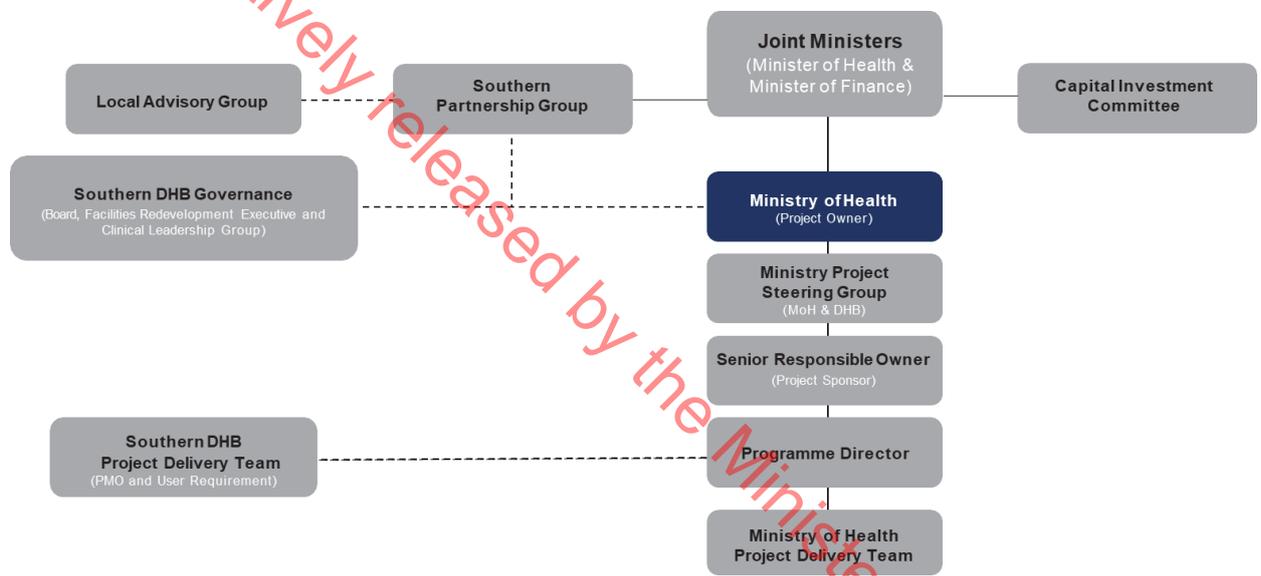
23 [Redacted]

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24 [Redacted]

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Current Governance Structure of the New Dunedin Hospital Project



Addressing the Issues

Establishment of the Health Infrastructure Unit

25 The Health Infrastructure Unit was established, following Cabinet agreement, in October 2019. The overall purpose of establishing the unit was to consolidate project governance and provide joint Ministers with increased assurance about progressing the redevelopment of the health capital portfolio.

26 The Health Infrastructure Unit has plans in place to address historic lack of Ministry capability to advise on, manage and deliver major health capital projects. Since establishment, the appointments to date have brought in a broader base of expertise to support the increasing health capital portfolio. The Health Infrastructure Unit has also established an Agency Support Agreement with the Infrastructure Commission. In particular, the Infrastructure Commission engagement has focused on providing governance expertise which will be an integral part of the establishment of any new governance structure. I am kept

updated by Ministry officials on establishment and development progress of the Health Infrastructure Unit, its appointments, teams and functions.

- 27 Upon establishment, Cabinet requested the Health Infrastructure Unit prepare advice on potential new approaches to hospital redevelopment project governance, including potential redesign of the partnership group model [CAB-19-MIN-0174.19 refers].
- 28 Officials from the Ministry, The Treasury, Infrastructure Commission and The Department of Prime Minister and Cabinet subsequently undertook a process to review the partnership model. Officials focused on the New Dunedin Hospital Project initially, given it has a Detailed Business Case due to be considered by Cabinet in August 2020 and increased assurance in the governance arrangements is urgently required.
- 29 The review has been undertaken in the context of the wider Health Infrastructure Unit governance development. The New Dunedin Hospital Project is the first opportunity to pilot the governance model. Officials intend to replicate the proposed governance model for future health capital projects, scaled appropriately according to project size and complexity.

Good Governance

- 30 The Office of the Auditor-General identifies six principles of good governance as noted below. The partnership group model currently in place fails to meet these criteria as identified by the Gateway Review. These principles have been followed in the exploration of alternative governance models for the New Dunedin Hospital redevelopment investment.

Principle	Description
Clarity of purpose	Governance sets a clear strategic purpose for the entity or project and provides direction that drives the entity towards achieving that purpose.
Accountability	The governance structure includes a clear accountability framework.
Roles and responsibilities	Each part of the governance structure has clear roles and responsibilities that are complementary and aligned with strategy.
Leadership	Leadership is demonstrated across all levels of governance.
Information and reporting	The governance arrangements are supported by information and reporting for monitoring performance, managing risks, making decisions, and providing direction.
Capability and Participation	The right people are involved in governance.

International Governance Models

- 31 Officials researched international health capital infrastructure governance models in order to identify options to replace the partnership model.

- 32 Major Australian and United Kingdom public capital investments are typically managed by specialist delivery agencies with operational separation from public decision making. In some cases, special purpose vehicles are established specifically to oversee an individual project.
- 33 Alternatively, in the case of Health Victoria, Australia, a steering committee is formed to oversee departmental and agency service planning and strategic planning issues generally for larger or more complex projects. This reports through to its Department of Health and Social Services, and then to the Minister of Health, in a clear accountability line¹.
- 34 Most large New Zealand projects are managed by public agencies. Independent delivery agencies are not common, but one example is Crown Fibre Holdings, established by the Government to oversee the roll out of fibre.

Governance of the New Dunedin Hospital Project

Options Considered

- 35 Following research, officials from the Ministry, The Treasury, Infrastructure Commission and The Department of Prime Minister and Cabinet considered three options to replace the Southern Partnership Group.
- a. Special Purpose Vehicle reporting to joint Ministers.
 - b. Special Purpose Vehicle reporting to Southern DHB.
 - c. Executive Steering Group/s within an Agency.
- 36 Option B, a Special Purpose Vehicle reporting to Southern DHB's Board was discounted from short-listing. Southern DHB's performance is variable across the health system, with a persistent financial deficit, ongoing service performance issues and a D Investor Confidence Rating. The Board was only recently re-elected in December 2019 after the appointment of a Commissioner in 2015 and two Crown Monitors in 2019. The new DHB Board already faces significant challenges and does not have the capacity to adequately govern both the New Dunedin Hospital Project and DHB Transformation Programme.
- 37 Most DHBs would not be able to support Option B due to significant DHB performance and governance issues across the sector. DHB Boards are focused on improving both financial and service performance, with many on close performance monitoring, making Option B unattractive to replicate for other projects. Officials therefore discounted this option from further analysis.

Special Purpose Vehicle

- 38 A special purpose vehicle is a separate legal entity created by an organisation. Major Australian and United Kingdom public capital investments are typically managed by special purpose vehicles, but this is not as common in New Zealand.
- 39 The main advantage of a special purpose vehicle is that it provides a clear separation in responsibilities and accountabilities among the project team,

¹ http://www.capital.health.vic.gov.au/Policies_and_procedures/Project_governance/Steering_committee/

sponsors and board. This could result in faster decision making. If established as a Crown entity, a special purpose vehicle could provide a governance option for other major health capital projects managed by the Health Infrastructure Unit in the future.

- 40 The main disadvantages for a special purpose vehicle for this project include the following:
- 40.1 significant costs to establish and recruit an executive and board, including a new Cabinet appropriation
 - 40.2 lack of integration with the Health Infrastructure Unit's work to establish national health infrastructure design and delivery standards
 - 40.3 difficulty in aligning with Southern DHB as the ultimate end user and owner-operator of the investment.

Executive Steering Group Model

- 41 The Executive Steering Group is the most common model in New Zealand for the state sector and would sit within the Ministry.
- 42 The main advantages of this model include:
- 42.1 lower overhead cost
 - 42.2 adaptability to changing requirements
 - 42.3 minimal financial appropriation by Cabinet
 - 42.4 integration with the Ministry's Health Infrastructure Unit's operating model and direction
 - 42.5 better ability to manage interdependencies with the DHB Transformation Programme
 - 42.6 better alignment with Southern DHB as the end user and owner-operator of the investment.
- 43 The main disadvantage of the Executive Steering Group is a perceived lack of independence from the Ministry and lack of capability. Both of these disadvantages can be addressed by recruiting the right membership.

Options Analysis

Officials from the Ministry, The Treasury, Infrastructure Commission and The Department of Prime Minister and Cabinet reviewed the two shortlisted options against a set of extended criteria which is summarised below.

Principles of good governance	Criteria	Executive Steering Group (Preferred)	Special Purpose Vehicle reporting to joint Ministers
Clarity of purpose	Alignment with Health Infrastructure Unit	Yes	No
Accountability	DHB Accountability	Yes	Less so
	Ministry Accountability	Yes	Less so

Roles and responsibilities	Single entity	Yes	Yes
Leadership	Independence	Yes	Yes (more so than Executive Steering Group)
	Stakeholder representation	Yes	Yes
Information and reporting	Governance aligned to financial delegation	Yes	Yes
Capability and Participation	Local expertise	Yes	Yes
	Overall Benefits	Yes (other levers available to officials)	Yes
	Endurance over 10 years	Yes	Yes
	Major project capability attraction	Yes	Yes

Preferred Option – Executive Steering Group

- 44 Officials consider that the Executive Steering Group model is the most suitable solution to provide strengthened governance for the New Dunedin Hospital Project and will provide joint Ministers and Cabinet with greater assurance around fiscal control and timely project delivery. It also eliminates the issue of conflicting responsibilities and provides a clearer line of accountability. The Executive Steering Group model aligns with the broader Health Infrastructure Unit development and direction as agreed by Cabinet.
- 45 Major benefits of the Executive Steering Group include greater opportunities to:
- 45.1 manage interdependencies with the DHB's Transformation Programme for alignment of the whole investment
 - 45.2 share lessons learned
 - 45.3 leverage existing expertise and resources across the Health Infrastructure Unit
 - 45.4 ensure national alignment and consistency
 - 45.5 apply national benchmarking which will increase equitable decision-making.
- 46 The Executive Steering Group model provides a clear line of accountability and will allow for more robust decision-making.
- 47 The Executive Steering Group model can also easily be replicated for future health capital projects, and size scaled appropriately. For example, a single Executive Steering Group over multiple smaller interconnected or similar projects (e.g. mental health facilities); could be considered.
- 48 The Executive Steering Group's perceived lack of independence can be resolved by reiterating the role of the Capital Investment Committee as independent advisors to joint Ministers. Its perceived lack of Ministry capability can be resolved by recruiting members beyond the Ministry, including relevant specialist expertise and skill mix.
- 49 To further ensure the Executive Steering Group addresses the current concerns with governance the Ministry is engaging with the Infrastructure Commission who

have provided governance expertise and resources and will lead the development of Terms of Reference.

Local Advisory Group

- 50 The Local Advisory Group was established to provide local input to the New Dunedin Hospital Project, and currently provides advice to the Southern Partnership Group. Its membership comprises councillors and officials from the Dunedin City Council and the Otago Regional Council, as well as senior representation from Ngāi Tahu and the New Zealand Transport Agency.
- 51 I propose that the Local Advisory Group continues to provide the valuable community voice and advice to the proposed Executive Steering Group. The New Dunedin Hospital Project is of great importance to the community and it is important to ensure a clear avenue for local input remains in place.
- 52 I recommend that the membership of the group be reviewed to ensure that it is representative of a range of local voices. Officials will develop a new terms of reference for the Local Advisory Group in light of the new governance structure proposed in this paper. I also propose that the Local Advisory Group have the mandate to provide direct visibility to joint Ministers on the local matters associated with the New Dunedin Hospital Project.

Governance of the DHB Transformation Programme

Southern District Health Board

53 Southern DHB's Board is responsible for governing the DHB Transformation Programme – the development and delivery of models of care, ICT and services that will be delivered in the new Dunedin Hospital.

54 [REDACTED]

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55 Support for the DHB to successfully fulfil its components of the overall investment is required in different forms, to address a range of challenges faced by the organisation.

- 55.1 Refreshed governance where the DHB leadership is visible in overall accountability discussions and participates in the accountability and assurance process.
- 55.2 Clear expectations about what is required of DHB leadership and their responsible staff.
- 55.3 The establishment of a formal Programme and Board to govern the DHB Transformation Programme.

- 55.4 Closer alignment and linkages with the New Dunedin Hospital Project.
- 55.5 Independent assurance on the DHB Transformation Programme by the DHB's existing Crown Monitors.

56 I propose that the Director-General of Health write to Southern DHB's Board requesting it to establish a formal DHB Transformation Programme and Programme Board and appoint a sufficiently experienced Senior Responsible Owner (SRO). This will ensure closer governance, management and oversight of the elements of the New Dunedin Hospital redevelopment that sit outside the Ministry. The appointment of an SRO and Programme Board will also allow closer links and alignment to the New Dunedin Hospital Project, which is described later in this paper.

57 The proposed DHB Transformation Programme Board will sit within the Southern DHB and be accountable to the DHB Board. It will have operational oversight and management, reporting to and escalating to the DHB Board when appropriate.

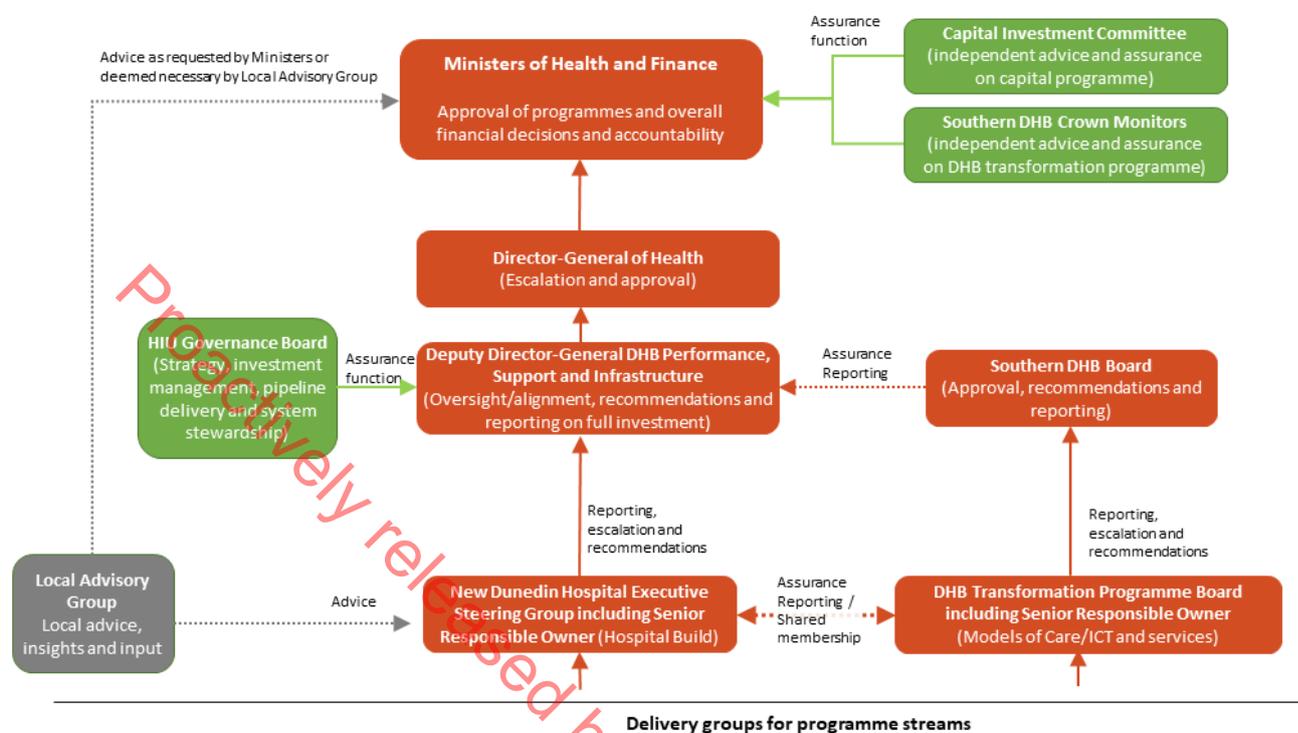
58 Southern DHB's existing Crown Monitors will provide joint Ministers with independent assurance, advice and recommendations on the DHB Transformation Programme.

Proposed Governance of overall New Dunedin Hospital Investment

59 The diagram below illustrates the revised governance arrangements proposed for the New Dunedin Hospital Project and DHB Transformation Programme, with an explanation beneath of roles and responsibilities and intended membership. Principles of the new structure include:

- 59.1 clear lines of accountability in the New Dunedin Hospital Project and DHB Transformation Programme streams
- 59.2 decision-makers are those who are legally and financially responsible and accountable
- 59.3 clear alignment of the interdependent streams of work
- 59.4 sufficiently experienced Senior Responsible Owners (SRO) with appropriate authority and delegations for each stream of work
- 59.5 independent assurance on the New Dunedin Hospital Project for joint Ministers from the Capital Investment Committee
- 59.6 independent assurance on the DHB Transformation Programme for joint Ministers from Southern DHB's Crown Monitors
- 59.7 internal assurance for the Ministry and joint Ministers from the Health Infrastructure Unit Governance Board
- 59.8 local advice and community links from the Local Advisory Group.

Proposed Governance of overall New Dunedin Hospital Investment



Roles and Responsibilities

- 60 Ultimately, final decision-making rights and accountability for the full investment will sit with joint Ministers as per the existing delegation arrangements. We rely on the Director-General of Health through the Deputy Director-General, DHB Performance, Support and Infrastructure (DHB PSI), whose overarching visibility of the full investment provides the required assurance, accountability reporting against progress milestones and opportunity for risk mitigation. In addition, we have access to independent assurance advice from the Capital Investment Committee on the New Dunedin Hospital Project, and independent assurance advice from Southern DHB's Crown Monitors, on the DHB Transformation Programme.
- 61 The New Dunedin Hospital Executive Steering Group will be accountable for the successful delivery and outcomes of the New Dunedin Hospital Project and will report to the Deputy Director-General, DHB PSI. The DHB Transformation Programme Board will report to the Southern DHB Board and will be accountable for the successful delivery and outcomes of the DHB Transformation Programme. These groups and individuals hold legal and financial accountabilities and decision-making rights (within appropriate thresholds).
- 62 The DHB Transformation Programme Board and Executive Steering Group will be advised by the Project SRO and Programme SRO. Both SRO appointments need to be senior, experienced personnel and they will be given appropriate delegations

and accountability to ensure timely delivery of both workstreams within budget to achieve intended outcomes.

Accountability for New Dunedin Hospital Project delivery

Director-General of Health

63 The Director-General of Health is accountable to me and will provide information, reporting and can escalate any issues if required. The Director-General of Health will be kept informed of the status of the full investment by the Deputy Director-General, DHB PSI.

Deputy Director-General of Health, DHB Performance, Support and Infrastructure

64 The Deputy Director-General, DHB PSI is responsible for having an oversight, monitoring and management function of overall DHB performance, including capital infrastructure, financial and service performance. The Deputy Director-General, DHB PSI will be provided with reporting, information and recommendations from the New Dunedin Hospital Executive Steering Group and reports to the Director-General of Health.

New Dunedin Hospital Project Senior Responsible Owner

65 The New Dunedin Hospital Project SRO will be an experienced senior appointment from the Ministry and will be given appropriate financial accountability and delegations. The SRO will advise both the Deputy Director-General, DHB PSI and the New Dunedin Hospital Executive Steering Group.

New Dunedin Hospital Executive Steering Group

66 The New Dunedin Hospital Executive Steering Group is the key strategic decision-making body providing governance over the New Dunedin Hospital Project and the teams that work at an operational level. It will report to the Deputy Director-General, DHB PSI.

67 It is proposed that Southern DHB's Board Chair sit on the Executive Steering Group as an additional mechanism to align both streams of work.

68 The initial objectives of the New Dunedin Hospital Executive Steering Group will be to:

- 68.1 advance work on requirements and design
- 68.2 deliver high quality business cases within agreed scope and budget.
- 68.3 ensure alignment with the DHB Transformation Programme.

Accountability for DHB Transformation Programme delivery

Southern District Health Board

69 Southern DHB's Board is responsible for governing the DHB Transformation Programme. Under the proposed governance arrangement and the established DHB performance assurance mechanisms, the DHB Board will provide assurance reporting to the Deputy Director-General, DHB PSI. This assurance reporting is

one mechanism to align the whole investment and provide me with visibility through the Ministry.

- 70 To strengthen governance further, as recommended in The Gateway Review, officials propose that the Director-General of Health write to Southern DHB's Board requesting it to establish a formal DHB Transformation Programme Board.

DHB Transformation Programme Senior Responsible Owner

- 71 The DHB Transformation Programme SRO will be an experienced senior appointment from the DHB with appropriate financial accountability and delegations. The SRO will advise both the Southern DHB Board and the DHB Transformation Programme Board.

DHB Transformation Programme Board

- 72 The proposed DHB Transformation Programme Board will sit within the Southern DHB and be accountable to the DHB Board. It will have operational oversight and accountability for the programme delivery, reporting and escalating to the DHB Board as appropriate. It will also exchange reporting information with the New Dunedin Hospital Executive Steering Group to ensure alignment of these workstreams and allow for shared learnings.
- 73 The DHB Transformation Programme Board will provide assurance reporting to Southern DHB's Board. The DHB Board Chair, reporting to me, will also provide additional visibility of the whole investment.
- 74 Officials will provide support to Southern DHB in the following ways.
- 74.1 Support to get the right people into the proposed DHB Transformation Programme Board.
 - 74.1.1 This support could come in the form of access to governance databases at the Ministry of Health, Treasury or through the Appointments and Honours Committee process.
 - 74.2 Support to get appropriate people into positions to support the proposed Transformation Programme Board.

Independent Ministerial Oversight and Assurance

Capital Investment Committee

- 75 The Capital Investment Committee was appointed under Section 11 of the New Zealand Public Health and Disability Act 2000. The Capital Investment Committee provides independent advice to joint Ministers on the prioritisation and allocation of funding for capital investment and health infrastructure. It sits outside the Health Infrastructure Unit and provides independent assurance.
- 76 The proposed governance arrangements reinforce the role of the Capital Investment Committee as an independent advisory body and allow it to operate as intended. As discussed, currently the relationship between the Capital Investment Committee and the Southern Partnership Group has been ambiguous and confused accountability lines. The Southern Partnership Group operating

independently and being directly accountable to the Minister of Health has limited the Capital Investment Committee's ability to give robust independent advice to joint Ministers.

- 77 Currently, officials from the Ministry, The Treasury and the Infrastructure Commission are in the process of revising the Capital Investment Committee's terms of reference and membership. The focus on this revision is to ensure membership reflects the increasing size and complexity of the health capital portfolio. The revision is also timely to further reiterate the Capital Investment Committee's role as an independent advisory body.

Southern DHB Crown Monitors

- 78 Southern DHB's ministerial appointed Crown Monitors currently provide independent assurance and oversight to me on the DHB's overall performance. The Crown Monitors were appointed to support the DHB to address its financial and service performance issues.
- 79 I will direct the Crown Monitors to have a focus on the DHB Transformation Programme and will request that they attend the DHB Transformation Programme Board meetings to ensure I am provided with an independent view and assurance.

Local Advisory Group

- 80 It is proposed that the Local Advisory Group continue to provide local advice, visibility and community input to the New Dunedin Hospital Project. Alongside a representative observing on the Executive Steering Group, the Local Advisory Group will provide direct written reports through the Executive Steering Group's regular reporting. In addition to the direct reports, the Local Advisory Group or a representative will have ad hoc meetings with joint Ministers as required to provide visibility on local matters relevant to the New Dunedin Hospital Project. Both the Local Advisory Group and joint Ministers will have the mandate to initiate meetings or dialogue with one another.
- 81 Officials from the Ministry, Treasury and Infrastructure Commission will develop a terms of reference for the Local Advisory Group in line with the proposed new governance structure. This will detail how the Local Advisory Group will operate and provide clarity on its role to ensure the lines of responsibility and accountability are upheld. A review of membership of the group will also be undertaken to ensure it provides for a range of local voices and perspectives to be represented.

Ministry Oversight and Assurance

Health Infrastructure Unit Governance Board

- 82 The Health Infrastructure Unit Governance Board proposed will be accountable for overseeing capital investment and infrastructure delivery by the Health Infrastructure Unit and serve as an internal governance and assurance function for the Ministry. It is not directly responsible for the New Dunedin Hospital Project but will assist and provide technical advice to the Deputy Director-General, DHB PSI and Director-General of Health, and will also provide reporting and information to the Capital Investment Committee.

83 The Health Infrastructure Unit Governance Board will allow greater opportunities to:

- 83.1 share lessons learned
- 83.2 leverage existing expertise and resources across the Health Infrastructure Unit
- 83.3 ensure national alignment and consistency
- 83.4 provide an independent a risk and assurance function across Health Infrastructure Unit capital investment and infrastructure delivery
- 83.5 apply national benchmarking which will increase equitable decision-making.

Membership

Governance

New Dunedin Hospital Executive Steering Group

84 The success of a New Dunedin Hospital Executive Steering Group lies in the appointment of experienced people to govern. Officials recommend that, in alignment with other State Sector major projects, experienced personnel are appointed. The appointment of appropriately experienced people ensures that the motives for governance decision-making are focused on the successful realisation of benefits.

85 Officials from the Ministry, The Treasury and the Infrastructure Commission are in the process of developing a terms of reference for the New Dunedin Hospital Executive Steering Group. Officials recommend membership is aligned to a skills matrix and specifically includes:

Members	<ul style="list-style-type: none"> • An independent Chair appointed by the Director-General with Ministerial consultation • The New Dunedin Hospital Project Senior Responsible Owner • Southern DHB's Board Chair • An external member with clinical expertise • An external member with infrastructure delivery expertise • The Director, Health Infrastructure Unit
Attendees	<ul style="list-style-type: none"> • New Dunedin Hospital Project Director
Observers	<ul style="list-style-type: none"> • A representative from The Treasury • A representative from the Infrastructure Commission • A representative from the Capital Investment Committee • A representative from the Local Advisory Group

86 The Director-General of Health and the Deputy Director-General, DHB PSI will have standing invitations to the meetings.

DHB Transformation Programme Board

87 Southern DHB are responsible for deciding membership of the DHB Transformation Programme Board. This will include external expertise, support from its two Crown Monitors and a DHB Board member. To further ensure alignment of the whole investment the New Dunedin Hospital Project Director and a Health Infrastructure Unit official will attend meetings.

Assurance

Capital Investment Committee

88 The current structure of the Capital Investment Committee includes:

Members	<ul style="list-style-type: none"> • Evan Davies, Chair • Dr Margaret Wilsher • Professor Des Gorman • Jan Dawson • Paul Carpinter • Murray Milner
Attendees	<ul style="list-style-type: none"> • Deputy Director-General, DHB PSI • Health Infrastructure Unit officials
Observers	<ul style="list-style-type: none"> • A representative from The Treasury

89 [REDACTED]

9(2)(f)(iv)

Health Infrastructure Unit Governance Board

90 Officials recommend membership specifically includes the following, subject to the finalised terms of reference which is being developed with officials from The Treasury and the Infrastructure Commission.

Members	<ul style="list-style-type: none"> • An independent Chair appointed by the Director-General • The Deputy Director-General, DHB PSI • A Ministry representative from the Clinical Cluster • A Ministry representative from Māori Health • A Ministry representative from Data & Digital • An Infrastructure Commission representative* • An external member with investment management expertise • An external member with infrastructure delivery expertise
Attendees	<ul style="list-style-type: none"> • Health Infrastructure Unit officials

**subject to Infrastructure Commission Board approval*

Future Governance

- 91 Officials propose to develop the New Dunedin Hospital Executive Steering Group as the blueprint for future health capital projects governance arrangements. It is intended to be replicated as a governance structure for future projects with complexity and size scaled to fit individual projects.

Implementation

- 92 Following Cabinet endorsement, Ministry officials will begin the process of establishing the first New Dunedin Hospital Executive Steering Group, the Health Infrastructure Unit Governance Board, and the Director-General of Health will write to Southern DHB's Board requesting it to establish a DHB Transformation Programme and Programme Board.

[REDACTED]	[REDACTED]

9(2)(f)(iv)

Financial Implications

- 93 This proposal is cost neutral. Currently, the Southern Partnership Group membership costs are budgeted and paid from the New Dunedin Hospital Project budget. The cost of any external appointments to the New Dunedin Hospital Executive Steering Group will also come out of the existing project budget. Officials anticipate this will be more cost efficient given there will be more public sector representatives who will not have payable membership fees.
- 94 The cost of any external appointments to future Executive Steering Groups will come out of the relevant project budget(s). Officials intend to establish the Health Infrastructure Unit Governance Board from the Ministry Departmental Expenditure budget.

Impact Analysis

- 95 An impact analysis is not required.

Regulatory Impact Statement

96 A Regulatory Impact Statement has not been prepared - there are no legislative or regulatory impacts arising from this paper.

Climate Implications of Policy Assessment

97 There are no climate implications that have been identified from the proposal in this report.

Population Implications

98 There are no population implications that have been identified from the proposal in this report.

Human Rights Implications

99 There are no human rights implications that have been identified from the proposal in this report.

Consultation

100 The Ministry of Health, The Treasury, The Infrastructure Commission, Te Kawa Mataaho, Public Service Commission and The Department of Prime Minister and Cabinet have been consulted on this paper.

Communications

101 I will announce any new governance arrangements in a press release.

Proactive Release

102 I intend to proactively release this Cabinet paper within 30 business days of decisions being confirmed by Cabinet, subject to redaction as appropriate under the Official Information Act 1982.

Recommendations

I recommend that Cabinet:

- 1 **note** that Cabinet agreed the Ministry of Health would prepare advice on a potential new approach to governance involving redesign of the existing Partnership Group model [CAB-19-MIN-0174.19 refers].
- 2 **note** that the Director-General of Health will write to Southern District Health Board requesting it to establish a DHB Transformation Programme Board reporting to its DHB Board to oversee the DHB Transformation Programme, to ensure more robust governance and greater alignment with the infrastructure workstream.
- 3 **note** that the Director-General of Health will ensure alignment and oversight of the whole investment.
- 4 **agree** that the Capital Investment Committee will provide independent assurance and advice of the New Dunedin Hospital Project.

- 5 **agree** that Southern DHB's Crown Monitors will provide independent assurance and advice of the DHB Transformation Programme.
- 6 **note** that the Local Advisory Group will provide the New Dunedin Hospital Executive Steering Group with valuable local insights and advice.
- 7 **agree** that the Local Advisory Group will provide regular written reports via the New Dunedin Hospital Executive Steering Group, and have ad hoc meetings with joint Ministers to provide direct visibility on local matters and advice relevant to the New Dunedin Hospital Project
- 8 **note** that Ministry of Health, Treasury and Infrastructure Commission officials are working on the membership and terms of references for the Health Infrastructure Unit Governance Board, the Capital Investment Committee, the New Dunedin Hospital Executive Steering Group and the Local Advisory Group.
- 9 [REDACTED] 9(2)(f)(iv)
- 10 **agree** that a New Dunedin Hospital Executive Steering Group be established to govern the New Dunedin Hospital Project.
- 11 **agree** to disestablish the Southern Partnership Group.
- 12 **note** that officials will review the governance settings for the New Dunedin Hospital redevelopment and report back to Cabinet in May 2021. This will include the finalised terms of references and membership for the respective groups within the governance structure.

Authorised for lodgement

Hon Chris Hipkins

Minister of Health