

# Aide-Mémoire

## New Dunedin Hospital Deep Dive follow up

<b>Date due to MO:</b>	19 December 2023	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	H2023034323
<b>To:</b>	Hon. Dr Shane Reti, Minister of Health		
<b>Copy to:</b>	Hon. Nicola Willis, Minister of Finance		
<b>Consulted:</b>	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

## Contact for telephone discussion

Name	Position	Telephone
<b>Simon Medcalf</b>	Deputy Director-General, Regulation and Monitoring   Te Pou Whakamaru	s 9(2)(a)
<b>John Hazeldine</b>	Group Manager, System Elements, Regulation and Monitoring   Te Pou Whakamaru	s 9(2)(a)

# Aide-Mémoire

## New Dunedin Hospital Deep Dive follow up

### Purpose

1. On Monday 18 December 2023, you met with officials from Health New Zealand (HNZ), the Treasury and the Ministry of Health (the Ministry) to discuss the New Dunedin Hospital (NDH) project.
2. This report provides a summary of the timeline for the NDH rebuild, as you requested, and further points of clarification arising from the meeting.

### Further information

3. The timeline for the NDH rebuild and relevant cabinet papers are attached (Appendix 1).

#### *Operating costs*

4. Further to your discussion with officials, the Ministry confirms that operating costs for individual investments are not funded in health. The estimated operating costs for the NDH rebuild were known at the time the Final Detailed Business Case was submitted. As occurred under the District Health Board (DHB) system, HNZ receives a global appropriation from which it is expected to meet its costs. For small DHBs, this was sometimes challenging, with a period of deficit often arising following a large investment. For HNZ, its significant size allows operational impacts from investment to be smoothed more easily. The approach of not funding operating costs supports HNZ's autonomy to make trade-offs and strategic decisions across all its funding.

#### *Capital costs*

5. Current capital settings require all funding for an investment to be held at the time of the final business case approval. The annual appropriation process means that projects must be structured or phased to fit within available funding.
6. As noted at the meeting, the NDH project scope excludes future costs associated with the refurbishment or decommissioning of the current hospital (estimated in the meeting at up to \$300m). This approach is consistent across all the major projects HNZ is currently managing, i.e. Whangārei Hospital and Nelson Hospital redevelopments will require refurbishments and decommissioning. The additional future investment required is usually signalled as part of the business case, but costs will be high-level.
7. We will provide further advice on future options for capital settings in 2024.

### Next steps

8. Cabinet's previous approval of the investment required HNZ to submit an Implementation Business Case (ImpBC) for the Inpatient Build, which was due in December 2023. This is a short document that revisits and confirms key details of the project, identifies the supplier offer that optimises value for money, and sets out the negotiated commercial and contractual arrangements for procurement.
9. This document is an opportunity for the HNZ Board to set out its proposed way forward with the NDH project and to communicate its assumptions. This should include:

- a. the recommended approach, and risks and mitigations in relation to the investment and the procurement approach (noting that the managing contractor model is new to health)
  - b. the best estimate of overall cost to deliver the agreed scope and basis for confidence in the estimate.
- 10. The timing for this step will need to be confirmed in January, pending further discussions with relevant Ministers and the HNZ Board's decisions.
- 11. Officials can provide further information about the NDH project at your request.

S9(2)(a)



Deputy Director-General

**Regulation and Monitoring | Te Pou  
Whakamaru**

19 December 2023

## History of decisions made on New Dunedin Hospital project

19 December 2023

Date	Decision	Budget
<b>Sept 2015</b> [CAB MIN 15-0061]	The Southern Partnership Group (SPG) was established by the National Government to oversee the planning, design and construction phases of the Dunedin Hospital redevelopment.	
<b>July 2017</b> [SEC-17-MIN-0054] [CAB-17-MIN-0397]	<p>Cabinet approved the Indicative Business Case (IBC) for the New Dunedin Hospital (NDH) project.</p> <p>It was noted the initial core problem identified in the NDH redevelopment was the age and condition of the Clinical Services Block (CSB) at Dunedin Hospital, with an estimated placeholder cost of \$300 million.</p> <p>The IBC identified that in addition to the CSB, the Ward Block and the boiler house require replacement.</p> <p>Cabinet approved a greenfield redevelopment of core Dunedin Hospital buildings on either a new site or the Southern District Health Board (DHB) owned Wakari site at an estimated cost of \$1.2 billion to \$1.4 billion.</p>	\$1.2 billion – \$1.4 billion
<b>Aug 2017</b> HR20171315	<p>Joint Ministers agreed for the Ministry of Health to commence searching for new sites for the Dunedin Hospital Redevelopment. Trade-offs were highlighted for a Central Business District versus Wakari site.</p> <p>Dr Jonathan Coleman announced the NDH build and noted the Ministry of Health is working to secure an appropriate site for the new hospital, with a strong preference for a central city location. Depending on the location the new hospital will be opened in 7 – 10 years.</p> <p><a href="https://www.beehive.govt.nz/release/dunedin-largest-new-hospital-build-nz-history">https://www.beehive.govt.nz/release/dunedin-largest-new-hospital-build-nz-history</a></p>	
<b>April 2018</b> [CBC- 18- Min – 0052]	<p>Cabinet agreed the site of the NDH will be the Cadbury / Wilson site, to be acquired under the Public Works Act, and for the Ministry of Health to commence the purchase process for these parcels of land. Cabinet agreed the exemption of a PPP as part of the procurement options.</p> <p>The location had been recommended by the SPG (note in December 2017, the Labour Government appointed a new Chair, Peter Hodgson).</p> <p>The rationale for the location included: proximity to the existing hospital (especially the cancer centre, which will remain in its existing location), proximity to the University of Otago campus and anticipated ease of acquisition.</p>	
<b>May 2018</b>	<p>Health Minister, Dr. David Clark, announced the Cadbury site and parts of surrounding blocks had been selected for the new hospital under the Public Works Act.</p> <p><a href="#">Dunedin's new hospital to be built on Cadbury Factory site   Beehive.govt.nz</a></p>	



<b>Dec 2018</b>	Preliminary site masterplan was completed. It proposed a gross floor area (GFA) of 105,000m <sup>2</sup> across two buildings (Inpatients and Outpatients/Day Surgery).	
<b>2019</b> [CAB-19-MIN-0174]	Budget 2019 agreed a total budget for the NDH project of \$1.4 billion.	
<b>May 2019</b>	<p>Work on concept design commenced in May 2019.</p> <p>An independent review of the scale of the proposed hospital suggested a significantly reduced GFA was feasible. It was agreed that subsequent design work would be capped at 89,000m<sup>2</sup> with 419 beds (and 176 day-bed equivalents i.e., ED beds, day surgery recovery, etc.).</p> <p>While GFA reduced costs, several factors specific to the Cadbury site (poor ground condition, flooding risks and land costs) increased costs.</p>	
<b>Aug 2020</b> [CAB-20-Min-0413]	<p>Cabinet approval in principle the Detailed Business Case (DBC) subject to concept design finalisation and:</p> <ul style="list-style-type: none"> <li>noted Officials expect the total budget to exceed \$1.4 billion</li> <li>approved option five – Inpatient Building (IB) former Cadbury site; Outpatient Building (OB) Wilson Parking site</li> <li>noted NDH budget includes \$17 million Crown contribution to Interprofessional Learning Centre</li> <li>agreed to release \$127 million to progress the project (including preliminary design, demolition, piling, project management, governance new Executive Steering Group (ESG), and appointment of main contractor (following Early Contractor Engagement). Continuity ensured as ESG was chaired by Evan Davies (a former member of the SPG).</li> </ul>	<p>Budget over \$1.4 billion likely</p> <p>Released \$127 million to progress project</p>
<b>March 21</b>	<p>The final DBC was submitted providing for:</p> <ul style="list-style-type: none"> <li>Inpatient Building (c 77,591m<sup>2</sup>): a 6-year construction period, following design between July 21-June 23, with the contract to be awarded in November 2023.</li> <li>Outpatient Building (c 13,391m<sup>2</sup>): a 3-year construction period with the contract to be awarded February 2022.</li> </ul> <p>The DBC noted the NDH will be designed for flexibility and for some easy and immediate expansion within Dunedin's designated Tertiary Health Precinct and has been positioned for ready expansion on the Wilson block later in the century if necessary. Further, the Outpatient Building will provide early access to additional theatre space; space that will then transition to the Inpatient Building when complete.</p>	
<b>April 2021</b> [CAB-21-MIN-0124] [GOV-21-MIN-0011]	<p>Cabinet approved the DBC and:</p> <ul style="list-style-type: none"> <li>agreed that on completion of further design stages and preferred contractor decisions (prior to contract award) Joint Ministers will jointly consider the Implementation Business Case for the Outpatient Building by February 2022 and the Inpatient Building by December 2023</li> </ul>	\$1.47 billion

	<ul style="list-style-type: none"> <li>noted that Southern DHB is preparing a DBC for investment in Data &amp; Digital across its entire operations, including those that relate to the new hospital (currently between \$200m-240m)</li> <li>authorised Joint Ministers to jointly approve a separate Business Case for an Interprofessional Learning Centre supported by University of Otago, Otago Polytechnic, and Southern DHB (NDH budget included \$17 million for this).</li> </ul>	
<b>March 2022</b> HR20220041	<p>A cost risk estimated at \$200 million was identified from scope creep and inflationary pressures from COVID-19. Joint Ministers agreed to a series of cost saving measures that equated to \$89 million, with an additional funding requirement of \$111 million being recognised as a pressure against the Budget 22 appropriation.</p> <p>Joint Ministers noted that any further significant deviations from what has been agreed needed approval from Joint Ministers.</p>	\$1.47 billion
<b>May 2022</b> HR20220221	<p>Joint Ministers approve the Outpatient Building Implementation BC and enter into a contract with Southbase.</p> <p>The estimated contract cost of \$164.9 million included escalation and contingencies, with a 'Go live' date May 2025.</p> <p>The preferred option makes changes to the Inpatient Building and removal of the Pavilion Building to address \$89 million gap in Budget.</p> <p>The Capital investment Committee (CIC) endorsed the Implementation BC in April 2022. They were concerned that the project cost could still be 10-20% higher than the revised Budget if difficult global market conditions continue. The CIC considered ICT and digital components were not well integrated with the construction project components, and this potential disconnect will increase cost uncertainty.</p>	
<b>Budget 2022</b>	<p>In Budget 2022, Cabinet set aside \$225 million (a mix of operating and capital funding) in the tagged contingency "Southern Health System Digital Transformation Programme – Contingency."</p> <p>The tagged contingency is intended for the digital infrastructure required for NDH as well as Digital Transformation via investment in digital solutions that spans across the whole of the Southern health system and will lead to better sharing of clinical information and improvements in how care is provided.</p>	Note: separate capital appropriation to the NDH appropriation
<b>Dec 2022</b> HNZ00008490	<p>Joint Ministers agreed an extra \$110 million for the project subject to HNZ confirming by early 2023 that the remaining clinical risks can be managed.</p> <p>Changes approved were:</p> <ul style="list-style-type: none"> <li>a 12-month delay to construction start and 3 more months design required</li> <li>398 beds (12 Mental Health Services for Older People beds shelled on Level 6)</li> <li>26 Operating Theatres (takeout 2)</li> </ul>	\$1.58 billion

	<ul style="list-style-type: none"> <li>• 2 MRI (+1 MRI shelled in IB)</li> <li>• 0 PET CT scanner (with shell space)</li> <li>• Pathology reduced from 1200 m2 to 350m2</li> <li>• Remove Pharmacy aseptic production unit</li> <li>• Remove - link bridge (leaving one), pavilion and logistics building</li> <li>• Reposition Inpatient Building.</li> </ul>	
<b>January 2023</b> [CPC-23-MIN-0008]	Cabinet notes HNZ will implement enhanced project governance implemented in line with Te Waihanga advice. Evan Davies remained as Chair until he resigned later in year.	
<b>March 23</b> HNZ00006434	<p>Joint Ministers approved Southern Digital Transformation Programme – Stage 1 foundational DBC and contingency drawdown for the Outpatient Building digital infrastructure.</p> <p>Joint Ministers approved a funding drawdown of \$8.303 million in operating and \$74.139 million of capital to 2024/25 and an ongoing \$14.828 million per annum for depreciation in 2025/26 and outyears, of which:</p> <ul style="list-style-type: none"> <li>• a total of \$68.242 million up to 2024/25 and ongoing \$14.828 million pa will be funded from "Southern Health System Digital Transformation Programme – Contingency", and</li> <li>• \$14.2 m capital is funded by HNZ to deliver the digital infrastructure for the OB in the NDH.</li> </ul> <p>A second BC for digital infrastructure for the Inpatient Building and third BC for transformational digital solutions is required.</p>	Note: separate capital appropriation to the NDH appropriation
<b>April 2023</b> HNZ00015667	<p>Joint Ministers agreed to \$10 million additional funding to cover the cost of:</p> <ul style="list-style-type: none"> <li>• completion of the review of the pathology services</li> <li>• review into mental health services for older people capacity to ensure it is appropriate into the future</li> <li>• \$2 million for the purchase of an MRI machine (not clear if this increases the number of MRIs back to 3).</li> </ul> <p>While not in the recommendations, the paper noted a warm fit out for PET CT for \$2.5 m. Notes Outpatient Building construction ends now in end 2025.</p>	\$1.59 billion
<b>June 2023</b> HNZ00019210	<p>The Ministers of Health, Finance and Education agreed that while interprofessional learning remains a priority, building a new Interprofessional Learning Centre was no longer financially feasible nor a priority. Due to budget constraints and cost pressures being experienced by Te Whatu Ora, Te Pūkenga and the University of Otago.</p> <p>Note the \$17m in the NDH budget was to remain in the Budget.</p> <p>The Ministry of Health noted it understood HNZ will provide further advice on how it will ensure the provision of adequate space to support ongoing training needs and the potential use of \$17m</p>	

	<p>within the NDH Budget for this.</p> <p>Note the estimated costs for the Interprofessional Learning Centre were estimated to exceed \$140m, making each party share &gt;\$50 million.</p>	
<b>July 2023</b>	<p>National election announcement:</p> <p><i>If elected in October, National will deliver all the beds, operating theatres and radiology services that Labour removed."</i></p> <p><i>The cost of this commitment is \$29.5 million and will be fully funded as part of the next National Government's programme of capital investment.</i></p> <p><i>This will cover 23 inpatient beds, two operating theatres, and a PET scanner at Dunedin Hospital.</i></p> <p><a href="#">National will deliver for Dunedin Hospital</a></p>	Election announcement of \$29.5 million
<b>Sept 2023</b> HNZ00029011	<p>The pathology review recommended that a new 4000m2 building incorporating an integrated hospital and community pathology lab was the most efficient method of delivering pathology services.</p> <p>Initial cost estimates of this option were around \$45 million. However, no location for this building has been identified and no funding is available. Note that the original NDH budget had funding (not specified amount) for 1200-1300m2 of pathology shelled space.</p> <p>If adopted, it may be that the pathology service provider or other private sector developer could undertake the build, but this needs further investigation.</p> <p>Early estimate of cost for the provision of a stand-alone pathology building is \$45 million (excluding fit-out). This is not currently funded so the pathology provision will stay in the old hospital until funding is available.</p>	~ \$45 million out of scope of current NDH budget

### Outstanding next steps

1. Mental Health Services Older Persons Service (MHSOP) review developing national Model of Care will be considered in September 2023 to inform services in Dunedin (Aide Memoire HNZ00024841, July 2023 refers)
2. Implementation BC for the Inpatient Building was due in December 2023 (April 2021 [CAB-21-MIN-0124] refers)
3. Interprofessional Learning Centre removed from scope but the \$17m in the allocated Budget was not removed. The Ministry of Health expects HNZ to provide further advice on how it will ensure the provision of adequate space to support ongoing training needs and the potential use of \$17 m within the NDH Budget for this.
4. Hospital based Pharmacy shell removed from scope, the funding in the original budget for NDH pathology shell space remains in the budget.

# Aide-Mémoire

## Meeting with the Minister of Health on New Dunedin Hospital

<b>Date due to MO:</b>	26 January 2024	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	H2024035224
<b>To:</b>	Hon. Dr Shane Reti, Minister of Health		
<b>Consulted:</b>	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

### Contact for telephone discussion

Name	Position	Telephone
<b>Simon Medcalf</b>	Deputy Director-General, Regulation and Monitoring   Te Pou Whakamaru	s 9(2)(a)
<b>John Hazeldine</b>	Manager, System Elements, Regulation and Monitoring   Te Pou Whakamaru	s 9(2)(a)

# Aide-Mémoire

## Meeting with the Minister of Health on New Dunedin Hospital

**Date due:** 26 January 2024

**To:** Hon. Dr Shane Reti, Minister of Health

**Security level:** IN CONFIDENCE **Health Report number:** H2024035224

**Details of meeting:** Wednesday 31 January 2024, 3.30 – 3.55pm, at 7.2 EW (Minister of Finance Office)

**Purpose of Meeting:** You wish to discuss the options going forward on CPB, the current contractor for the Inpatient Building for the New Dunedin Hospital (NDH), and cost pressures facing the NDH project.

- Comment:**
1. This meeting is to discuss (i) using CPB as the main contractor for the Inpatient Building and (ii) managing the estimated cost of the project. In their advice, HNZ recommends proceeding with the NDH project, using CPB as the main contractor, and that you approve \$170 million of Crown capital now, and \$120 million from Budget 2025.
  2. The Ministry was not consulted on the NDH paper. The HNZ financial recommendations (b and c) do not comply with technical requirements: approving funding requires a specific funding source to be identified. We recommend that you do not sign the recommendations as written.
  3. If you support the additional \$170 million of funding proposed in recommendation b), you may wish to amend the recommendation to direct the Ministry to provide advice on potential sources of funding.
  4. We recommend you do not sign recommendation c). Any pre-commitment against Budget 2025 requires Cabinet decisions.
  5. Our substantive feedback is outlined below. Please refer to Appendix 1 for further background information.

*The Ministry supports the progression of the project at the agreed scope*

6. It is positive that HNZ has reviewed the planning for NDH and re-confirmed the clinical need for the scope of the project. This supports earlier planning work undertaken at the time of original approval. We agree that the project should not be re-scoped, and



there is little capacity to achieve further savings within the project itself.

*The Ministry understands and supports HNZ's decision to continue to work with CPB with a revised contracting approach*

7. HNZ has signalled an intention to proceed with CPB with a revised contracting approach (managing contractor).
8. s9(2)(b)(ii) s9(2)(j)  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
9. The decision on contractor is for the HNZ Board to make, based on its balanced assessment of risk. We understand HNZ has undertaken due diligence including receiving advice from Te Waihangā and the Treasury. We consider that proceeding with CPB is an appropriate option based on HNZ undertaking a robust assessment process and putting mitigations in place to manage known risks.
10. The proposed managing contractor approach is intended to better manage allocation of risk. This approach has not been used in the public health sector previously. Careful management and additional assurance will be required to support its success and manage risks.

*The Ministry supports additional funding to deliver the agreed scope, but further information is required to confirm the amount and source*

11. We agree that additional funding will be required to deliver the agreed scope.
12. The information provided by HNZ is not clear whether the funding is required for only the Inpatient Building, or across both buildings; what the resulting contingency allowances will be and overall confidence in delivery within the requested funding (either the \$170 million or the total \$290 million requested over the next two years). Our view is that it is critical to be clear on the scale of the funding pressure, as far as possible at this time.
13. HNZ's preference is for additional Crown funding for the entire amount (spread over two Budgets). The Ministry considers that there are further options for all or some of the funding including:
  - a. self-funding from HNZ reserves: s 9(2)(f)(iv)  
s 9(2)(f)(iv)  
[REDACTED]
  - b. re-prioritisation of the Health Capital Envelope (HCE): as at 31 October 2023 (the most recent reporting provided by HNZ), s 9(2)(f)(iv), s 9(2)(j), s 9(2)(b)(ii)  
[REDACTED]

s 9(2)(f)(iv), s 9(2)(j), s 9(2)(b)(ii)

- c. re-prioritisation from unutilised contingencies s 9(2)(f)(iv)  
s 9(2)(f)(iv)

14. Each of these options will present risks, and some may not be viable. However, the HNZ advice does not clarify whether these have been considered and dismissed by the Board, and the rationale for doing so.
  15. HNZ also asks that you note clinical risks associated with not funding the NDH and/or re-prioritising the HCE but does not provide information on this and the relativities.
  16. We recommend that HNZ provide further advice on the overall funding request, and specific advice on the implications of self-funding or HCE re-prioritisation (including recommendations for specific projects).
  17. The Ministry will provide you with final advice on funding options as part of our review of the Implementation Business Case (ImBC).
- Next steps: an Implementation Business Case is required before entering the contract*
18. Cabinet authorised the Joint Ministers of Health and Finance to approve an ImBC for the Inpatient Building prior to awarding the contract [GOV-21-MIN-0011]. The ImBC was due in December 2023, but has been delayed while HNZ has worked through further detail of its proposed approach.
  19. The ImBC is a short document that revisits and confirms key details of the project, identifies the supplier offer that optimises value for money, and sets out the negotiated commercial and contractual arrangements for procurement. It is an opportunity for the HNZ Board to set out its proposed way forward with the NDH project and to communicate its assumptions.
  20. The ImBC should include:

s 9(2)(f)(iv)

- a. the recommended approach, and risks and mitigations in relation to the investment and the revised procurement approach
- b. the best estimate of overall cost to deliver the agreed scope and basis for confidence in the estimate.

21. s9(2)(b)(ii) s9(2)(j)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

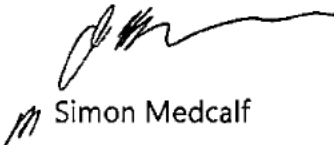
22. The ImBC will document the work undertaken to support the HNZ recommendation, and we would expect submission could be achieved quickly. The Ministry will work with HNZ to support a prompt review.

*The Ministry will provide further advice on additional assurance for the overall New Dunedin Hospital project*

23. Given the NDH redevelopment is the largest vertical infrastructure project currently in New Zealand, and the proposed procurement approach for the Inpatient Building, the Ministry recommends you consider additional assurance options. These may include:

- a. more detailed reporting provided to the Ministry and the Minister of Health across all streams
- b. additional assurance through observers on the governance group
- c. expert external reviews.

24. The Ministry will provide further advice on potential assurance as part of our review of the ImBC for the Inpatient Building.



Simon Medcalf

Deputy Director General

**Regulation and Monitoring**

## Appendix 1

### Background and context

#### *Project outline*

1. The current approved funding for the NDH investment is \$1.59 billion. It is the largest vertical health infrastructure project currently in NZ and provides two buildings:
  - a. an Outpatient Building (OB), with a Gross Floor Area (GFA) of 13,391 m<sup>2</sup>, to contain day procedures, planned radiology, specialist clinics, a day medical unit and transit care and support services. Southbase was awarded the main contract in 2022. The OB is currently under construction and is forecast to go live mid-2026.
  - b. an Inpatient Building, 77,591m<sup>2</sup>, the acute services building containing the beds, laboratories, interventional services and supplementary services. HNZ is using Early Contractor Engagement (ECE) for the main contractor CPB<sup>2</sup>. s 9(2)(g)(i)
  - c. At a high level the two buildings provide 410 beds (22 shelled) and 26 theatres (3 shelled).
2. Pathology services were originally in scope of the NDH with ~1300m<sup>2</sup> shelled space in the Inpatient Building and separate community services offsite (a split service model). In December 2022 Joint Ministers agreed to a reduction to 350m<sup>2</sup> as part of a value management exercise. In September 2023, after a pathology services review, the HNZ Board notified the then Minister of Health that a 4,000m<sup>2</sup> pathology laboratory with both hospital and community pathology services should be built offsite, connected to the NDH via a pneumatic tube, on a site yet to be determined and a cost currently estimated at \$45m.

#### *Project governance*

3. The Ministry of Health and Treasury have no visibility over the NDH governance group, its information and discussions on the challenges facing this large and complex project.

#### *Additional funding of \$170m sought immediately.*

4. HNZ's current Quantity Surveyor (QS) estimate for the project forecasts a further \$170m is required s9(2)(b)(ii) s9(2)(j). A further \$120m is estimated to be required from 2025 for ongoing cost escalation and exchange rate risks.

#### *Further projects outlined requiring s 9(2)(j), s 9(2)(b)(ii)*

5. The additional capital funding noted by s 9(2)(j), s 9(2)(b)(ii) for the pathology laboratory, carparking, reuse / decommissioning of existing hospital, and additional contingency) needs to be the subject of future advice.
6. Our December 2023 NDH Deep Dive follow up aide memoire (H2023034323) noted that the NDH Business Case scope excludes these future costs. This approach is consistent across all the major projects HNZ is currently managing. While these future costs are usually signalled in business cases, costs are estimated at a high level. Further, additional workforce operating

<sup>2</sup> ECE is a form of construction contracting that allows the principal contractor to be involved in the early construction phase of a project before the design has been completed.

costs are not funded with health capital. This supports HNZ's autonomy to make trade-offs and strategic decisions across all its funding.

*Future cost management across all projects*

7. HNZ's 'cost management' strategy has relied on seeking Ministerial approval to defer some projects to future years, so that current cost increases can be met from the Health Capital Envelope (HCE). This approach increases the out-year pressure and assumes a continued level of, or increasing, HCE funding.
8. There are also significant specific pressures against future Budget appropriations including any residual shortfall from the current portfolio of projects. In recent years, the average appropriation to the HCE has been approximately \$700-\$800 million per annum. The funding required to complete 3 politically announced and currently part-funded projects requires  
s 9(2)(f)(iv)
9. In addition to capital pressures, there will be challenges caused by construction market capacity and ability to develop supporting workforce for the investments. The options for managing the pressures, include re-prioritising investments or requesting consideration of scaling/phasing.

# Briefing

## Summary of Feedback on New Dunedin Hospital Cabinet Paper

**Date due to MO:** 21 February 2024

**Action required by:** N/A

**Security level:** IN CONFIDENCE

**Health Report number:** H2024035884

**To:** Hon. Dr Shane Reti, Minister of Health

**Consulted:** Health New Zealand: ☐ Māori Health Authority: ☐

### Contact for telephone discussion

**Name**

**Position**

**Telephone**

**Simon Medcalf**

Deputy Director-General, Regulation and  
Monitoring | Te Pou Whakamaru

s 9(2)(a)

**John Hazeldine**

General Manager, System Elements,  
Regulation and Monitoring | Te Pou  
Whakamaru

s 9(2)(a)

### Minister's office to complete:

☐ Approved

☐ Decline

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by events

☐ See Minister's Notes

☐ Withdrawn

Comment:



# Summary of feedback on New Dunedin Hospital Cabinet Paper

---

**Security level:** IN CONFIDENCE

**Date:** 21 February 2024

---

**To:** Hon. Dr Shane Reti, Minister of Health

---

## Purpose of report

1. This paper outlines our feedback on the current draft of the New Dunedin Hospital (NDH) Cabinet paper and suggests potential amendments for you to consider prior to submission of the paper.

## Report

2. You have received a draft Cabinet paper from Health New Zealand (HNZ) requesting approval of \$170 million funding for the New Dunedin Hospital project. This report focuses on key points to note – we can provide more detailed feedback if required.

*The funding amount requested in the paper is insufficient to address currently estimated cost pressures and the urgency of decision is unclear*

3. The paper requests that Cabinet approve additional funding of \$170 million. This figure reflects an earlier (October 2023) estimate of the cost to complete the project. However, the paper also notes that this estimate was partially revised to \$220 million in December; and that the total required to deliver (including contingency) is \$292 million. The paper notes that an interim Quantitative Risk Assessment (QRA) 'light' estimates the cost pressure at between s 9(2)(j), s 9(2)(b)(ii) providing some further assurance regarding this total figure.
4. On the current information, we recommend that the Cabinet paper and the Budget 2024 bid both seek the \$292.0 million, in line with the quantity surveyor report. This would provide the clearest approach to addressing the current estimated costs of the projects and avoid delaying known costs to a later Budget. This approach is agreed in principle with HNZ, and we understand that Treasury is supportive. In our view, seeking the \$170.0 million risks confusing the issue.
5. s9(2)(b)(ii) s9(2)(j) It is unclear to us how approving the lower amount is necessary now when it is insufficient to complete the works.
6. We note that the cost estimates will be subject to change as further design work is undertaken. A full QRA would be expected to be undertaken in early-March when the next stage of design is complete. More refinement of costing will occur when HNZ identifies the Target Outturn Cost. The paper could give clarity on these next steps.

*Alignment with Budget 2024*

7. The Cabinet paper incorrectly states that you have submitted a cost pressure Budget initiative for \$290 million for New Dunedin Hospital. The template prepared by HNZ was for \$170 million. We understand from Treasury that further conversations should occur between you and the Minister of Finance before the submission can be altered. We recommend that the reference be corrected to note that the template may be amended depending on the outcome of discussions.

*The requirements of an Implementation Business Case have not been satisfied and this step is required to provide appropriate assurance*

8. Cabinet previously delegated approval of the Implementation Business Case (ImpBC) to you and the Minister of Finance [GOV-21-MIN-0011]. The ImpBC was due in December 2023.
9. The ImpBC stage seeks approval from decision-makers to enter into commercial contracts. An ImpBC is a short document which confirms or updates information from the previous business case, sets out contractual arrangements and describes the detailed management arrangements for the successful delivery of the project.
10. For New Dunedin Hospital, HNZ is intending to use a new contracting model (Managing Contractor) which means that HNZ (and ultimately the Crown) assumes more risk. The ImpBC is the mechanism for the Board to show that it has appropriately assessed the risks and has processes and structures in place to manage them.
11. The draft Cabinet paper implies that an ImpBC is no longer required in full. This is inconsistent with the Cabinet decision, and to date we do not believe that the information provided by HNZ satisfies the full expected requirements. We recommend that this step be retained, and expectations to this effect be re-confirmed in the Cabinet paper. You may wish to consider approval of the funding to be dependent on the prior completion of the ImpBC. This would give HNZ certainty of funding, while retaining assurance levers.

*Additional assurance and reporting are also required*

12. This is an especially complex and high-risk project, and merits additional assurance to ensure that Ministers can have confidence in progress on delivery. To date, the reporting provided by HNZ has not been sufficient to give early notice of risks, and how these are being managed. This means that options for Ministers may be reduced.
13. We understand that the Treasury and the Infrastructure Commission have also raised concerns. The Ministry, the Treasury and the Infrastructure Commission will prepare separate advice on options for appropriate assurance and reporting requirements. You may wish to signal an intention to strengthen these arrangements in your Cabinet paper.



Simon Medcalf

Deputy Director-General

**Regulation and Monitoring**

Date: 21 February 2024

Dr Shane Reti

**Minister of Health**

Date:

**ENDS.**

## Minister's Notes

# Briefing

## New Dunedin Hospital assurance

**Date due to MO:** 12 March 2024 **Action required by:** 12 March 2024

**Security level:** IN CONFIDENCE **Reference number:** H2024037396

**To:** Hon. Dr Shane Reti, Minister of Health  
Hon. Nicola Willis, Minister of Finance  
Hon. Chris Bishop, Minister for Infrastructure  
Hon. Shane Jones, Minister for Regional Development

## Contact for telephone discussion

Name	Position	Telephone
Simon Medcalf	Deputy Director-General, Regulation and Monitoring, Ministry of Health	S9(2)(a)

## Minister's office to complete:

- |                                               |                                    |                                              |
|-----------------------------------------------|------------------------------------|----------------------------------------------|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Decline   | <input type="checkbox"/> Noted               |
| <input type="checkbox"/> Needs change         | <input type="checkbox"/> Seen      | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |                                              |

Comment:

# New Dunedin Hospital assurance

---

<b>Security level:</b>	IN CONFIDENCE	<b>Date:</b>	12 March 2024
------------------------	---------------	--------------	---------------

---

**To:** Hon. Dr Shane Reti, Minister of Health  
Hon. Nicola Willis, Minister of Finance  
Hon. Chris Bishop, Minister for Infrastructure  
Hon. Shane Jones, Minister for Regional Development

---

## Purpose of report

1. This report provides options to assure you that the Health New Zealand | Te Whatu Ora (Health NZ) Board is adequately managing the high-risk New Dunedin Hospital (NDH) project.

## Summary

2. This paper provides options to provide additional assurance for Ministers to successfully deliver this project. These options are presented as a graduated scale in the attached A3.
3. We have consulted with the Treasury and Te Waihangā | New Zealand Infrastructure Commission (Te Waihangā) and their views are incorporated in this report.
4. The paper also outlines several steps which Health NZ have undertaken to strengthen its accountability for delivery and provide additional confidence to Ministers.
5. The following measures have been identified by Health NZ to specifically strengthen the assurance over the NDH, which are supported by the Ministry:
  - a. a rapid review of the project status and readiness to enter the construction contract
  - b. formal reports to Ministers at key milestones; and
  - c. improved reporting reflecting the risk profile of this investment and the need for clarity on the wider programme.
6. The Ministry also believes aligning the timing of the Implementation Business Case with the contract signing would strengthen the assurance over this project. This is not supported by Health NZ.
7. Officials also recommend a short review on decisions to date on the project to provide lessons for future projects.

## Recommendations

The Ministry of Health recommends you:

		Hon Willis	Hon Reti	Hon Bishop	Hon Jones
a)	<b>Note</b> that Health NZ has already committed to putting additional assurance activities in place for the NDH project as indicated in the attached A3.				
b)	<b>Agree</b> a targeted review of project status and readiness to contract, to be led by Te Waihanga with support from the Treasury and the Ministry.	Yes/No	Yes/No	Yes/No	Yes/No
c)	<b>Note</b> that you will receive draft Terms of Reference for that review by the end of March 2024				
d)	<b>Agree</b> HNZ should provide formal report backs to Ministers and monitors at key milestones, in addition to monthly reporting.	Yes/No	Yes/No	Yes/No	Yes/No
e)	<b>Indicate</b> preference (if any) for the following additional assurance actions for officials to provide implementation advice on:				
	i. One-off independent review of NDH project	Yes/No	Yes/No	Yes/No	Yes/No
	ii. Engage with HNZ board to agree where additional capability or communication to Ministers would assist the project	Yes/No	Yes/No	Yes/No	Yes/No
	iii. Require a Crown Observer be included on the New Dunedin Hospital (NDH) Project Steering Group (PSG)	Yes/No	Yes/No	Yes/No	Yes/No
	iv. Appoint a Crown Observer on Health NZ Capital and Infrastructure Committee	Yes/No	Yes/No	Yes/No	Yes/No
	v. Appoint an Infrastructure focussed Crown Observer on Health NZ Board and Health NZ Capital and Infrastructure Committee	Yes/No	Yes/No	Yes/No	Yes/No
	vi. Require the Crown Observer to Health NZ to be more involved in overseeing the NDH project	Yes/No	Yes/No	Yes/No	Yes/No
	vii. Establish a Ministerial Advisory Committee to oversight the NDH project only	Yes/No	Yes/No	Yes/No	Yes/No
	viii. Establish a Ministerial Advisory Committee to oversight major Health infrastructure projects	Yes/No	Yes/No	Yes/No	Yes/No
	ix. Require the NDH to report to the Infrastructure and Investment Ministers' Group.	Yes/No	Yes/No	Yes/No	Yes/No
f)	<b>Agree</b> that Ministry provide further advice to the Minister on improved reporting on this project.	Yes/No	Yes/No	Yes/No	Yes/No



		Hon Willis	Hon Reti	Hon Bishop	Hon Jones
g)	<b>Agree</b> either: The Implementation Business Case be completed by HNZ at the time of contract signing (Ministry preference) <i>or</i> The Implementation Business Case be completed in December when firmer information on price is available.	Yes/No	Yes/No	Yes/No	Yes/No
		<i>or</i>	<i>or</i>	<i>or</i>	<i>or</i>
		Yes/No	Yes/No	Yes/No	Yes/No
h)	<b>Agree</b> the Ministry and Health NZ carry out a short review around key decisions to date on the project to ascertain lessons learnt for future projects.	Yes/No	Yes/No	Yes/No	Yes/No

Simon Medcalf

**DDG, Regulation and Monitoring**

Date: 12 March 2024

Hon Nicola Willis

**Minister of Finance**

Date:

Hon Dr Shane Reti

**Minister of Health**

Date:

Hon. Chris Bishop

**Minister for Infrastructure**

Date:

Hon. Shane Jones

**Minister for Regional Development**

Date:

# New Dunedin Hospital assurance

## Background

1. Health NZ is accountable to you for the successful delivery of the NDH project. Health NZ must comply with system settings and have structures and processes in place to identify and mitigate the risks associated with this project.
2. On 5 March 2024, the 100 Day Priorities Cabinet Committee considered a request for \$290.0 million additional funding for the NDH project. You have requested confirmation of further assurance activities prior to submitting the request to Cabinet on 18 March 2024.

## Additional assurance options

3. Given the size and complexity of this project, Ministers and monitoring agencies need greater oversight of the NDH project, and earlier socialisation of risks as they emerge. This section identifies options for your consideration.

## Targeted Investment Review

4. Cabinet has mandated Gateway reviews to occur prior to key decision points for high-risk capital projects, such as NDH.
5. You have agreed to a targeted investment review for NDH. The review will assess the project's readiness to contract and its ability to deliver outcomes and benefits against its agreed objectives, and whether the initiative will deliver to time, cost, scope and quality.
6. Previous indications were that this review would be led by the Treasury Gateway team, with terms of reference confirmed within six weeks and a report completed eight weeks after that.
7. The Treasury, Te Waihangā and the Ministry (the monitoring agencies) recommend that Te Waihangā lead the Targeted Investment Review, with support from other agencies. The monitoring agencies and Health NZ acknowledge the importance of progressing this review at pace. Te Waihangā has detailed knowledge of the current status of the project, market challenges and frameworks in which the project is operating. However, given the need for this review to be completed prior to entering into a contract (scheduled for end of May), there are limitations to the scope of the review and it will likely need to be internally resourced.
8. If you agree, Te Waihangā will lead a draft Terms of Reference for consideration by you, the Minister of Finance and the Minister for Infrastructure by the end of March 2024.
9. The Treasury will continue to have responsibility for the formal Gateway reviews, which will support the Implementation Business Case (ImBC). The Gateway review does not stop or delay the project. However, if the project has significant issues and returns an Amber-Red or Red delivery confidence rating in the review report, an escalation process is triggered.

## Options for independent assurance

10. You have requested options for additional independent assurance of this project. The full suite of options is summarised in the attached A3. For any option, it is important that

there is no delay to timely decision-making, accountability remains clear, and that Health NZ is not inhibited in its ability to perform its functions.

#### *Crown Observer*

11. If you wish to consider options for further independent assurance beyond Health NZ's planned mechanisms, the Ministry of Health suggests that appointing an independent Crown Observer may be preferable. A Crown Observer could attend any, or all of, the Project Steering Group, Board and Capital and Infrastructure Committee meetings for items relating to New Dunedin Hospital.
12. The Crown Observer could be available to both assist the Board and to advise you, and the Infrastructure Investment Ministers as required, and provide expertise to support the Ministry's monitoring. An alternate option would be to place emphasis on the project for the existing Crown Observer.
13. The Ministry envisages that the role of a Crown Observer would be temporary. The Crown Observer will be in place while Health NZ builds its maturity and puts in place processes and structures that provide you with sufficient assurance over this project and its wider investment portfolio. If appointed, we recommend a review at the end of the 2024 calendar year.
14. If you did not wish to appoint an Observer, the Minister of Health could engage with the HNZ to agree where it would be helpful for additional resource to be provided to the Board/Committee or Project. This resource could be to add capability and/or improve communication between Ministers and the Board.

#### *Ministerial Advisory Committee*

15. Ministers could establish a Ministerial Advisory Committee to focus attention on the delivery of the NDH project. This would enable the Committee to have a mix of skill (ie, Infrastructure, Data and Digital, health services) to oversight the successful delivery of the program, with appropriate focus on the physical infrastructure over the next phase. This Committee could have a wider scope across other significant Health projects if required.

#### *Infrastructure and Investment Ministers' Group*

16. We understand that the Minister for Infrastructure has agreed to establish an Infrastructure and Investment Ministers' Group to oversee and interrogate high risk/high value investments. This will occur on a quarterly basis and be supported by the Treasury's Quarterly Investment Reporting.
17. An option, which Health NZ supports, is that the NDH project is regularly reviewed by the group. Health NZ would provide progress reports to this group on a regular basis through the next critical period, or as required by Ministers. This option could be supported by all the other options presented to Ministers.

#### **Reports at upcoming milestones**

18. There are a range of other steps which officials have discussed and largely agreed.
19. The key planned project activities and milestones for NDH are summarised in Table 1. Many of these milestones will support further assessment of confidence in the cost to

complete the project. Health NZ advises that the outcome of the milestones will be incorporated into monthly reporting. You may also wish to seek specific reports at these milestones.

Table 1: Planned project milestones for NDH project

Expected Date	Activity	Comment
27 March 2024	Target Outturn Costs <sup>1</sup> (TOC)1 Pricing Confirmed	Confirms contractor estimate for first major scope of work
May 2024	Developed Design Complete. <sup>2</sup>	Next major milestone for enabling refined project costing
End of May 2024	Managing Contractor Contract Agreed	Confirms agreed risk allocation between parties
July 2024	TOC 2 Pricing Major cost review	Firm subtrade pricing for major structural elements
September 2024	ImBC Quantitative Risk Assessment	Following TOC 2 closeout
November 2024	Detailed Design <sup>3</sup> Podium complete	
June 2025	Detailed Design rest of building complete	Enables full costing of building

### Bringing forward of Implementation Business Case

20. Health NZ was originally scheduled to submit an ImBC for approval to you and the Minister of Finance in December 2023 [GOV-21-MIN-0011] but this has been delayed. The ImBC is usually completed and approved prior to entering the main construction contract.
21. s9(2)(b)(ii) s9(2)(j) [REDACTED]
22. On this basis, you agreed to delay the completion of the ImBC until December 2024, with the drawdown of the \$290.0 million funding being conditional on completion.
23. s9(2)(b)(ii) s9(2)(j) [REDACTED]
24. The Ministry and Te Waihangā support an earlier ImBC. We note that, due to the proposed contracting arrangement, the financial case will be based on the best estimate of cost at the time, and thus the ImBC will need to be delivered on an iterative basis as the project advances through design which will allow Target Outturn Cost (TOC) 2 and 3 to be developed and agreed.
25. While completing the ImBC now will not provide further assurance around the likely outturn cost of this project (as it will not be based on fully TOC'd designs), it will provide you with a level of assurance that effective governance is in place and that key commercial terms (including risks, and proposed mitigations of the proposed managing

<sup>1</sup> The estimated total cost for completion for the Project. Can be broken into stages, as with this project.

<sup>2</sup> Developed design is the penultimate design stage that informs the consent approval. Project cost certainty is beginning to firm up. Design envelope or internal layout changes may require new preliminary design.

<sup>3</sup> Detailed design is the final stage of design. Minor changes to furnishings or fittings achievable. If not, redesign and major variation of contract required.

contractor procurement) are conveyed and understood by you (and the Minister of Finance) as the Minister responsible for the NDH project.

26. Health NZ recommends that the ImBC occur once there is greater certainty of construction costs as the price proposal for the foundations and structure for the inpatients build will have been received and interrogated. This would still result in ImBC approval before the main construction commencement. At this time there will be more certainty of costs and Health NZ will have been able to action any recommendations for the independent review. Under this approach, Health NZ commits to progressively providing the key elements that would be expected in an ImBC as they are developed throughout the year in order to support increased understanding and trust of the project.

### **Assurance from existing monitors**

27. The Ministry is the chief steward of the health system, and is responsible for monitoring Health NZ, focusing on system and Crown entity performance. We provide you with advice and assurance on overall system management and performance as well as individual high-risk and high-value projects or funding requests requiring Ministerial or Cabinet approval.
28. The Treasury is the Government's lead economic and financial advisor, with a focus on financial levers and system settings to enable good performance across the infrastructure portfolio. The Treasury may, in limited circumstances, provide feedback on some significant investment proposals.
29. Te Waihangā has an advisory role on infrastructure matters and provides support for major project procurement. It is developing a 30-year infrastructure strategy and an infrastructure pipeline.
30. Collectively, the monitoring agencies provide complementary functions to provide assurance.
31. The Ministry does not yet regularly receive Board and committee papers and minutes from Health NZ.
32. All three monitoring agencies are invited by Health NZ to attend the Project Steering Group (PSG) for NDH as observers but are not provided with minutes or papers. Te Waihangā and the Treasury attend the meetings. The Ministry does not attend, given the risks inherent in attending without all relevant information.
33. The Chair of the Health NZ Capital and Infrastructure Committee has confirmed that from now on, paper will be provided to the Ministry, Treasury and Te Waihangā observers.

### **Improved project reporting**

34. The current reporting provided by Health NZ to you and the Ministry is high-level. The Ministry recommends that you make clear your expectations regarding the timeliness and quality of future reporting for this project.
35. This includes the need for Health NZ to provide a clear baseline of scope, milestones, budget and benefits to monitor progress against. The reporting should also cover all elements of the investment, which include physical infrastructure (Outpatient and Inpatient Buildings and sitewide works) and the wider programme (Data & Digital, change management / service models of care).

36. Reporting should include:
- a. confirmation of project costs against the approved budget including a project cashflow and supporting Quantity Surveyor (QS) and project Director reports
  - b. risk register - notification of significant and/or material risks and how these are being managed
  - c. QS and Quantitative Risk Assessment at key design and decision points, including once developed design for the Inpatient Building is complete; and when the total outturn cost estimate is completed.
37. You may wish to consider additional assurance measures for other portfolios or projects. The Ministry will provide separate advice on this.

## **Health NZ's planned additional assurance**

38. This section highlights the key features of the current governance and oversight arrangements already in place and the future intentions in this space, as advised by Health NZ.

### **New Senior Responsible Officer**

39. Health NZ is currently in the process of appointing a new Senior Responsible Officer (SRO) for the NDH project. The current acting SRO will stay in his formal role as an independent board member with a focus on the engineering and construction risks of the project.
40. The purpose of bringing in a new SRO is to find someone with significant health and community engagement experience and an understanding of the regional challenges. This will better support the Governance of all aspects of the programme. Combined with Dr Lanigan's experience this will allow the project board to govern to scope and budget as we move out of design and into execution, managing clinical and stakeholder risks alongside engineering.
41. Health NZ is currently in discussions with a person with experience providing independent assurance to Ministers of past major health projects.

### **Review for lessons learned**

42. The NDH project has faced several challenges, resulting in changes to scope, design and budget. It is recommended a review be undertaken to understand the causes and responses to these challenges. This will provide lessons learned for future projects. This review will be jointly undertaken by the Ministry of Health and Health NZ.

## **Equity**

43. The NDH project will contribute to the development of a stronger public health system that is equipped to deliver better health outcomes for the population of Otago and Southland.

## **Consultation**

44. The Treasury and Te Waihangā have been consulted on the options within this paper.



45. The Treasury supports additional assurance steps being taken to manage the risks associated with the NDH project. The Treasury are comfortable with the range of options identified in the paper.
46. Te Waihanga also supports strengthening of existing assurance and transparency mechanisms.

**ENDS.**

## Minister's Notes



# Briefing

## Additional Assurance for Health New Zealand's New Dunedin Hospital Project

<b>Date due to MO:</b>	5 April 2024	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	H2024038497
<b>To:</b>	Hon Dr Shane Reti, Minister of Health		
<b>Copy to:</b>	Hon Nicola Willis, Minister of Finance Hon Chris Bishop, Minister for Infrastructure Hon Shane Jones, Associate Minister of Finance		

### Contact for telephone discussion

Name	Position	Telephone
Simon Medcalf	Deputy Director-General, Regulation and Monitoring,	S9(2)(a)
John Hazeldine	General Manager, System Elements, Regulation and Monitoring	S9(2)(a)

### Minister's office to complete:

- |                                               |                                    |                                              |
|-----------------------------------------------|------------------------------------|----------------------------------------------|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Decline   | <input type="checkbox"/> Noted               |
| <input type="checkbox"/> Needs change         | <input type="checkbox"/> Seen      | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |                                              |

Comment:

# Additional assurance for Health New Zealand's New Dunedin Hospital project

---

**Security level:** IN CONFIDENCE      **Date:** 5 April 2024

---

**To:** Hon Dr Shane Reti, Minister of Health

---

**Copy to:** Hon Nicola Willis, Minister of Finance  
Hon Chris Bishop, Minister for Infrastructure  
Hon Shane Jones, Associate Minister of Finance

---

## Purpose of report

1. This briefing is in response to your request for advice on next steps and mechanisms to formalise the additional assurance arrangement for Health New Zealand's | Te Whatu Ora (HNZ) New Dunedin Hospital Project.

## Summary

2. You and the Minister of Finance have advised Cabinet of your agreement to appoint a Specialist Ministerial Advisor to the NDH project [CAB-24-MIN-0095 refers].
3. The Pae Ora Act does not have a provision for a Specialist Ministerial Advisor and this role has not been previously defined. Therefore, the Ministry is seeking your clarification as to whether you wish to appoint either:
  - a. a Ministerial Advisory Committee (of one), which you have the power to do, pursuant to section 87 of the Pae Ora (Healthy Futures) Act 2022,
  - b. a Crown Observer, which you have the power to do, pursuant to section 61 of the Pae Ora (Healthy Futures) Act 2022, or
  - c. for the Ministry to appoint a Ministry Advisor.
4. Cabinet authorised the Minister of Health and the Infrastructure and Investment Ministers to appoint the Specialist Ministerial Advisor without further reference to Cabinet. We recommend you confirm with Cabinet via an oral item whether this authorisation refers to any position appointed for additional assurance for the NDH project.

## Recommendations

We recommend you:

- |                                                                                                                                                                                                                                                |               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| a) <b>Note</b> Cabinet has been advised that you and the Minister of Finance have agreed the appointment of a Specialist Ministerial Advisor to the New Dunedin Hospital project.                                                              | <b>Noted</b>  |
| b) <b>Note</b> the Pae Ora Act does not have provision for a Specialist Ministerial Advisor and this role has not been previously defined.                                                                                                     | <b>Noted</b>  |
| c) <b>Agree</b> to the appointment of either:                                                                                                                                                                                                  |               |
| a) a Ministerial Advisory Committee (of one) which you have the power to do, pursuant to section 87 of the Pae Ora (Healthy Futures) Act 2022,                                                                                                 | <b>Yes/No</b> |
| <b>or</b>                                                                                                                                                                                                                                      |               |
| b) a Crown Observer which you have the power to do, pursuant to section 61 of the Pae Ora (Healthy Futures) Act 2022,                                                                                                                          | <b>Yes/No</b> |
| <b>or</b>                                                                                                                                                                                                                                      |               |
| c) a Ministry Advisor.                                                                                                                                                                                                                         | <b>Yes/No</b> |
| d) <b>Confirm</b> with Cabinet via an oral item whether the authorisation to appoint the Specialist Ministerial Advisor without further reference to Cabinet transfers to any position appointed for additional assurance for the NDH project. |               |

Simon Medcalf  
Deputy Director-General  
**Regulation and Monitoring | Te Pou  
Whakamaru**

Date: 5 April 2024

Hon Dr Shane Reti  
**Minister of Health**

Date:



# **Additional assurance for Health New Zealand's New Dunedin Hospital project**

## **Background**

1. The Ministry of Health previously provided you with options for additional assurance for the HNZ New Dunedin Hospital (NDH) Project. The purpose of the additional assurance is to add capability and/or improve communication between Ministers and the Board of HNZ.
2. The options were to:
  - a. appoint a Crown observer to the NDH project,
  - b. establish a Ministerial Advisory Committee with a wider scope across other significant Health projects, or
  - c. have the NDH project regularly reviewed by the Infrastructure and Investment Ministers' Group.
3. You have advised Cabinet that you and the Minister of Finance have agreed to appoint a Specialist Ministerial Advisor to the NDH project, to:
  - a. have line of sight on decision making and assurance discussions relating to the project, from the NDH project steering group, through the HNZ Capital and Infrastructure Committee (CIC) and to the HNZ Board for all matters relating to the NDH project;
  - b. report directly to the Minister of Health and the Infrastructure and Investment Ministers [CAB-24-MIN-0095 refers].
4. Cabinet authorised the Minister of Health and the Infrastructure and Investment Ministers to appoint the Specialist Ministerial Advisor without further reference to Cabinet, therefore not requiring approval from the Appointments and Honours Committee.

## **Specialist Ministerial Advisor**

5. The Pae Ora Act does not have a provision for a Specialist Ministerial Advisor and this role has not been previously defined.
6. The Ministry seeks your clarification as to whether you intend to appoint either:
  - a. a Ministerial Advisory Committee (of one), which you have the power to do, pursuant to section 87 of the Pae Ora (Healthy Futures) Act,
  - b. a Crown Observer, which you have the power to do, pursuant to section 61 of the Pae Ora (Healthy Futures) Act, or
  - c. for the Ministry of Health to appoint a Ministry Advisor.
7. These roles are described below, and a summary of the differences between these roles is provided in Annex 1.

## Ministerial Advisory Committee

### Role of a Ministerial Advisory Committee (of one)

8. The purpose of a Ministerial Advisory Committee is to provide independent external advice to Ministers on a particular issue.
9. You have the power pursuant to section 87 of the Pae Ora (Healthy Futures) Act, to *establish any committee (a ministerial committee) that the Minister considers necessary or desirable for any purpose relating to this Act or its administration*. This act also states *a ministerial committee has the functions that the Minister determines by written notice to the committee*.
10. Differing from a Crown Observer, members of the committee do not have the inherent right to attend Board, Capital Investment Committee and NDH Executive Steering Group meetings or be provided with copies of all information provided at those meetings. This would need to be explicit in the appointment letter sent to the Chair of the HNZ Board.
11. The Ministerial Advisory Committee (of one) would jointly report to you as the Minister of Health and the Infrastructure and Investment Ministers.

### Selection process of a Ministerial Advisory Committee

12. Following your agreement to appoint a Ministerial Advisory Committee (of one) we will write a position description and complete the terms of reference for yours and the Infrastructure and Investment Ministers' approval.
13. We understand you have a candidate in mind. We will complete due diligence and conflict of interest checks before providing you and the Infrastructure and Investment Ministers with a briefing seeking approval for their appointment. If you require advice on other potential candidates, we will provide this and seek your agreement on the preferred candidate.

### Payment of a Ministerial Advisory Committee

14. Members of the committee are subject to the Cabinet Fees Framework, Circular CO (22) 2 for any remuneration and allowances. The committee is considered within 'Group 4: all Other Committees and other Bodies' for the purposes of determining the right level of fees. The fees range for a Chair of a Ministerial Advisory Committee range from \$226 to \$1,265 daily, with the agreed amount set by the Minister of Health, based on assessment against the specified criteria.
15. The fees could be paid for by either HNZ or the Ministry of Health.

## Crown Observer

### Role of a Crown Observer

16. The appointment of a Crown Observer would enable independent assessment of the quality of information the Board and Capital Investment Committee (CIC) are receiving and the effectiveness of the Board and CIC in their decision making. They would provide you (and the Ministry) with visibility of how the Board and CIC is interacting with and influencing the NDH Executive Steering Group to address performance challenges.



17. You have the power pursuant to section 61 of the Pae Ora (Healthy Futures) Act, *to make an appointment under this section if the Minister considers it desirable for the purpose of assisting in improving the performance of Health New Zealand.*
18. Under the Pae Ora Act, the Crown Observer has the right to attend Board, CIC and NDH Executive Steering Group meetings with the role of:
  - a. observing decision-making processes
  - b. assisting meeting attendees to understand Ministerial policies and expectations so these can be reflected in decision-making
  - c. advising the Minister on any matter relating to the NDH Project and the projects performance.
19. The Crown Observer could jointly report to you as the Minister of Health and the Infrastructure and Investment Ministers.

### **Selection process of a Crown Observer**

20. Following your agreement to appoint a Crown Observer, we will write a position description and complete the terms of reference for yours and the Infrastructure and Investment Ministers approval.
21. We understand you have a candidate in mind. We will complete due diligence and conflict of interest checks before providing you and the Infrastructure and Investment Ministers with a Briefing seeking approval for their appointment. If you require advice on other potential candidates, we will provide this and seek your agreement on the preferred candidate.

### **Payment of a Crown Observer**

22. The Cabinet Fees Framework, Circular CO (22) 2 does not include specific provisions for roles such as Crown Observers. However, we understand the intent of the Fees Framework is to cover most statutory roles, except for where fee provisions are explicitly set out under separate regimes. Therefore, Crown observer fees should be set with reference to the Fees Framework.
23. Proposed fees would be considered by appointing Ministers as part of the appointment process. The fees could be paid for by either HNZ or the Ministry of Health.

## **Ministry Advisor**

### **Role of a Ministry Advisor**

24. This option is not a statutory appointment. The Ministry Advisor would report formally to the Director-General but could be designed to provide specific advice on NDH to you and other Ministers either directly or through the Director-General (in order to align with the Ministry's monitoring functions).
25. This role would function similarly to that of a Ministerial Advisory Committee (of one), with the difference being the formal reporting line via the Ministry of Health, rather than to you and the Infrastructure and Investment Ministers directly. As for the Ministerial Advisory Committee, this role would require you to advise the Chair of the HNZ Board

that you require the Ministry Advisor to have access to the Board, Committee and project groups.

### **Selection process of a Ministry Advisor**

26. The appointment of a Ministry Advisor is subject to the Government Procurement Rules, which apply if the procurement is worth more than \$100,000.
27. Following your agreement to appoint a Ministry Advisor, we will write a position description and complete the terms of reference for the Director-General of Health's approval and seek your input to this.
28. We understand you have a candidate in mind. We will complete due diligence and conflict of interest checks before providing the Director-General of Health with a Memo seeking approval for their appointment. If advice is required on other potential candidates, we will provide this and seek your agreement on the preferred candidate.

### **Payment of a Ministry Advisor**

29. The fees could be paid for by either HNZ (Ministry preference) or the Ministry of Health.

### **Other Assurance options considered**

30. We considered other appointments that could provide additional assurance for the NDH project. However, we have discounted these for the reasons set out below:
  - a. A Ministerial Advisor (as opposed to a Ministry Advisor) could be appointed to your office to provide you advice directly. However, this would require going through a formal recruitment process which could delay the appointment.
  - b. A HNZ Advisor could be designed to provide advice to Ministers, however they would report formally to HNZ. This could be perceived as undermining the independent advice that Ministers seek. We also note that Health NZ already employs its own advisors to its infrastructure committee.

### **Next steps**

#### **Term of Reference**

31. Terms of Reference will be drafted for the position to define the role and its purpose, any appointment process including fees and term of appointment and how they will engage with other agencies and its reporting arrangements. The common elements of a Terms of Reference for all positions are contained in **Annex 2** for your information and any feedback.

#### **Appointment of the role**

32. Given the size and scope of the NDH project, the role will require an individual with proven experience with major projects, as well as an in-depth knowledge of the New Zealand health sector, the public sector and health infrastructure.
33. Appointments of a Ministerial Advisory Committee or Crown Observer are generally considered by the Cabinet Appointment and Honours Committee. However, the Cabinet minutes authorised the Minister of Health and the Infrastructure and Investment

Ministers to appoint the Specialist Ministerial Advisor without further reference to Cabinet. We recommend you confirm with Cabinet via an oral item whether this authorisation refers to any position appointed for additional assurance for the NDH project.

34. A Ministry Advisor would be appointed through the Ministry of Health, in consultation with you.

### **Reporting**

35. We recommend that the advisor provide you and the Infrastructure and Investment Ministers with quarterly reports outlining:
  - a. progress made on the expectations set out in the Terms of Reference
  - b. the current risks to the NDH project, and oversight of these by the project steering group, CIC, and Health NZ Board
  - c. any other pertinent matters.
36. These reports will also be provided to the Deputy Director-General, Regulation and Monitoring to support alignment with the Ministry's functions.

**ENDS.**

# Annex 1: Summary of Additional Assurance Roles

	Ability to execute role	Pae Ora Act Provision	Appointment	Reporting	Payment
<b>Ministerial Advisory Committee (of one)</b>	Would require Minister to outline expectations regarding attendance at Board, Committee and Project meetings (can be outlined in appointment letter to Chair of HNZ Board).	Section 87 of the Pae Ora (Healthy Futures) Act.	Cabinet authorised the Minister of Health and the Infrastructure and Investment Ministers to appoint a Specialist Ministerial Advisor. This needs to be confirmed this applies to assurance roles.	Report to you as and the Infrastructure and Investment Ministers.	Subject to the Cabinet Fees Framework, Circular CO (22) 2.  Paid for by either Health NZ (ministry preference) or the Ministry of Health.
<b>Crown Observer</b>	Appointing Ministers can require Health NZ allow them to attend Board, CIC and ESG meetings.	Section 61 of the Pae Ora (Healthy Futures) Act.			Could be subject to the Cabinet Fees Framework, Circular CO (22) 2.  Paid for by either Health NZ (ministry preference) or the Ministry of Health.
<b>Ministry Advisor</b>	Would require Minister to outline expectations regarding attendance at Board, Committee and Project meetings.	Not a statutory position	Appointed by Director-General of Health, in consultation with Ministers.	Report formally to Director-General of Health.	Paid for by either Health NZ (Ministry preference) or the Ministry of Health.



## Annex 2: Common Elements of the Terms of Reference

### Position Description

I and the Infrastructure and Investment Ministers have appointed you XXXXX of the New Dunedin Hospital (NDH) Project for a term of appointment commencing on XXX and ending on XXX. This position description is designed to guide you in this role. This position description may be varied by us at any time during the period of your appointment. It is important that you read this document carefully, and in its entirety, and retain it for future reference.

### Role of a XXXX

As XXXX you may attend Health NZ Board, Capital Investment Committee (CIC), and NDH Executive Steering Group meetings. We have written to the Chair of the Health New Zealand Board and agreed with them that you must be permitted by Health NZ to attend these meetings and be provided with copies of all relevant information provided at those meetings.

### Our expectations of you

In particular, we expect that as XXXX will work with the Health NZ Board and CIC to:

- increase transparency and visibility of how the Board CIC and Executive Steering Group are interacting with and influencing the NDH project to address performance challenges
- ensure there are appropriate supporting plans and operating models in place to ensure improved performance in the medium term
- provide assurance and independent advice on the Board's, CICs and the Executive Steering Groups' focus on strategic direction setting, prioritisation, planning and risk management, and expectations for operational delivery performance management including financial matters.
- ensure that Ministers' priorities are well understood and are appropriately reflected in the Board's decision-making process.

To achieve the above, we expect that you will work closely with the CIC's and Board Chair as well as working alongside other CIC and Board members, as required.

We expect your appointment will assist the CIC and Board to make informed decisions.

We know you will work cooperatively with and in support of the Chair.

You will be expected to review progress made over the course of your appointment and provide regular updates to us and to the Ministry of Health | Manatū Hauora (the Ministry). We expect that you will provide us with a short, high-level report following your attendance at your first CIC and Board meeting with your initial impressions and proposed areas for further investigation.

Thereafter we expect that you will provide us with written quarterly reports outlining:

- progress made on the expectations set out above
- the current risks to the NDH project, and oversight of these by the project steering group, CIC, and Health NZ Board
- any other pertinent matters you see fit.

The sequencing for these quarterly reports should be agreed directly with the Ministry so that they can also be used to inform the regular performance monitoring meetings between the Ministry and

Health NZ. The quarterly reports should be provided to the Deputy Director-General, Regulation and Monitoring at the same time as they are provided to me.

### **Conflicts of interest**

We expect that you will advise the Ministry of any perceived, potential or actual conflicts of interest that may arise during your term as Ministerial Advisory Committee (of one). If and when such conflicts occur, we expect you will discuss the conflict with the Ministry and jointly provide us with information on your proposed management and mitigation activities.

### **No surprises policy**

The expectation is a 'no surprises policy' with the Minister, which is a critical component of maintaining ministerial trust and confidence. To this end, we ask that you provide us with early warning of any relevant issues before they arise, so that these can be dealt with further if necessary.

This includes circumstances where it is prudent for you to disclose to the Minister of Health issues that may require a Ministerial response, are possibly considered contentious, or which may attract wide public interest (be it positive or negative). Open and effective communication between you and the Minister (and/or his representatives) is vital to building strong relationships, while maintaining clear lines of accountability.

### **Official Information Act requests**

All information held or produced by you as the Ministerial Advisory Committee (of one) including that held or produced by government agencies, is subject to the Official Information Act 1982. The Secretariat is responsible for responding in a lawful manner to any Official Information Act requests you may receive.

## Minister's Notes

# Briefing

## Establishment of the Ministry Advisory Committee for New Dunedin Hospital

**Date due to MO:** 25 July 2024 **Action required by:** 5 August 2024

**Security level:** IN CONFIDENCE **Health Report number:** H2024039193

**To:** Hon Dr Shane Reti, Minister of Health

**Copy** Hon Nicola Willis, Minister of Finance  
Hon Chris Bishop, Minister for Infrastructure  
Hon Shane Jones, Associate Minister of Finance

### Contact for telephone discussion

Name	Position	Telephone
Simon Medcalf	Deputy Director-General, Regulation and Monitoring   Te Pou Whakamaru	S9(2)(a)
John Hazeldine	Group Manager, System Elements, Regulation and Monitoring   Te Pou Whakamaru	S9(2)(a)

### Minister's office to complete:

- |                                               |                                    |                                              |
|-----------------------------------------------|------------------------------------|----------------------------------------------|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Decline   | <input type="checkbox"/> Noted               |
| <input type="checkbox"/> Needs change         | <input type="checkbox"/> Seen      | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |                                              |

Comment:



# Establishment of the Ministry Advisory Committee for New Dunedin Hospital

---

**Security level:** IN CONFIDENCE      **Date:** 25 July 2024

---

**To:** Hon Dr Shane Reti, Minister of Health

---

**Copy**      Hon Nicola Willis, Minister of Finance  
Hon Chris Bishop, Minister for Infrastructure  
Hon Shane Jones, Associate Minister of Finance

---

## Purpose of report

1. This briefing progresses your agreement to appoint a Ministerial Advisory Committee (the committee) for the Health New Zealand | Te Whatu Ora (Health NZ) New Dunedin Hospital Project.

## Summary

2. As Minister of Health, you have agreed to establish the committee pursuant to section 87 of the Pae Ora (Healthy Futures) Act 2022. You have agreed the committee will comprise of one person, who will also be the Chair of the committee.
3. Cabinet authorised the Minister of Health and the Infrastructure and Investment Ministers to appoint a Specialist Ministerial Advisor to the New Dunedin Hospital project without further reference to Cabinet. We interpret this authorisation as applying to the committee.
4. A terms of reference for the committee is attached as Appendix 1 for your approval.
5. The committee will provide the Relevant Ministers and the Ministry of Health with quarterly progress reports.

## Recommendations

We recommend you:

- a) **Note** you previously agreed to establish a Ministerial Advisory Committee (of one) for the Health NZ New Dunedin Hospital. **Noted**
- b) **approve** the Terms of Reference for the Chair of the Ministerial Advisory Committee. **Yes/No**
- c) **agree** to appoint Evan Davies as the Chair of the Ministerial Advisory Committee. **Yes/No**
- d) **sign** the Notice to the House at Appendix 3 and submit it for tabling.
- e) **sign** and send the letter of appointment to Evan Davies.
- f) **sign** and send the letter to the Commissioner of Health NZ notifying them of the establishment of the committee.

Dr Di Sarfati  
Director-General of Health  
**Ministry of Health**  
Date: 25 July 2024

Hon Dr Shane Reti  
**Minister of Health**  
  
Date:

# Establishment of the Ministry Advisory Committee for New Dunedin Hospital

## Background

1. As Minister of Health, you recently requested advice on next steps and mechanisms to formalise the additional assurance arrangement for the Health New Zealand | Te Whatu Ora (Health NZ) New Dunedin Hospital (NDH) Project, following Cabinet's agreement to appoint a Specialist Ministerial Advisor to the NDH project (CAB-24-MIN-0095).
2. The Pae Ora (Healthy Futures) Act 2022 (the Act) does not have a provision for a Specialist Ministerial Advisor and this role has not been previously defined.
3. You subsequently agreed to establish a Ministerial Advisory Committee (the committee) of one (H2024038497 refers). The committee will have line of sight on decision making and assurance discussions relating to NDH project, from the NDH Executive Steering Group through to the Health NZ Board/Commissioner as well as any other related governance mechanism (all related governance mechanisms) for all matters relating to the NDH project.
4. Cabinet authorised the Minister of Health and the Infrastructure and Investment Ministers (Relevant Ministers) to appoint the Specialist Ministerial Advisor without further reference to Cabinet. Therefore, the Appointments and Honours Committee does not need to approve the appointment.
5. As Minister of Health, you have the power, under section 87 of the Act to; *establish any committee (a ministerial committee) that the Minister considers necessary or desirable for any purpose relating to this Act or its administration*. The Act also states *a ministerial committee has the functions that the Minister determines by written notice to the committee*.
6. In line with Cabinet's authorisation, we recommend that you consult with the Relevant Ministers about the establishment and any appointments to the committee, prior to exercising your power under section 87 of the Act.

## Role of the Committee

7. The purpose of the committee is to provide the Relevant Ministers with independent external advice and assurance on the NDH Project.
8. The committee will regularly report to the Relevant Ministers.
9. We expect that the committee will:
  - a. increase transparency and visibility of how all related governance mechanisms are interacting with and influencing the NDH project to address performance challenges.
  - b. ensure there are appropriate supporting plans and operating models in place to ensure improved performance in the medium term.

- c. provide assurance and independent advice on all related governance mechanisms focus on strategic direction setting, prioritisation, planning and risk management, and expectations for operational delivery performance management including financial matters.
  - d. ensure that the priorities of the Relevant Ministers are well understood and are appropriately reflected in the Health NZ Board decision-making process.
10. Unlike a Crown observer, the Act does not specify that a Ministerial Advisory Committee can attend all related governance mechanisms meetings or be provided with copies of all information provided at those meetings.
  11. Attendance at these meetings is essential for the committee to be able to achieve its intended purpose. Therefore, this expectation is included in the appointment letter, which will be copied to the Commissioner of Health NZ.

### **Committee Membership**

12. As Minister of Health, you have agreed to use your powers under section 87 of the Act to establish the committee and appoint its members.
13. You have agreed the committee will comprise of one person, who will be the Chair of the committee. This role will require an individual with proven experience with major projects, as well as an in-depth knowledge of the New Zealand health sector, the public sector and health infrastructure. More detail on the skills required for committee membership is attached as Appendix 2.
14. The committee Chair is proposed to be Evan Davies. We have completed the necessary due diligence for this position.
15. We propose you appoint Evan Davies for an initial term of 1 year. There is no limit on renewals of term. You can terminate the appointment at any time by written notice to the Chair of the committee.
16. Evan Davies has requested that he be able to directly access medical expertise in his role and S9(2)(j) Health NZ will be expected to facilitate this, and the Committee's access to information and in-house expertise as required. This expectation has also been made clear in the letter of appointment.
17. The Act authorises you to appoint members on any terms and conditions that you determine by written notice to the member. A terms of reference for the Chair is attached as Appendix 1 for your approval.
18. Section 88 of the Act requires you to provide written notice of the establishment of the committee to the House of Representatives. A notice of appointment is attached as Appendix 3 for your signature.

### **Payment of the committee**

19. Members of the committee are subject to Cabinet Office circular CO (22) 2 – *Revised Fees Framework for members appointed to bodies in which the Crown has an interest* for any remuneration and allowances.

20. The committee has been assessed as a Group 4 Level 2 body. The fee range for a Chair of this type of body range from \$429 - \$1,265 per day. We recommend the rate for Chair of the committee is \$1,167 per day and is paid by Health NZ. This rate is consistent with that of the Health NZ Crown Observer when multiplied across a full year for the expected time to be spent on Committee business.
21. If you would like to seek an exception to the range specified in the Cabinet Fees Framework this will require agreement from the Minister for the Public Service and may require approval from Cabinet via the Appointments and Honours Committee.

### **Reporting from the Committee**

22. The committee will provide the Relevant Ministers with a short, high-level report following attendance at the first Board meeting.
23. Thereafter it will provide you with written quarterly reports outlining:
  - a. progress made on the expectations set out in the terms of reference.
  - b. the current risks to the NDH project, and oversight of these by all related governance mechanisms
  - c. any other pertinent matters.
24. These reports will also be provided to the Deputy Director-General, Regulation and Monitoring to support alignment with the Ministry's functions.
25. The Ministry will provide any necessary secretariat support for the committee.

### **Next Steps**

26. Pending your approval, please sign:
  - a. the Notice to the House at Appendix 3 and submit it for tabling.
  - b. the letter of appointment.
  - c. the letter to the Commissioner of Health NZ notifying them of the establishment of the committee.

**ENDS.**

## **Appendix 1: Terms of Reference for the committee**

## New Dunedin Hospital Ministerial Advisory Committee (of one)

### Position Description

In consultation with the Infrastructure and Investment Ministers, I have appointed you as chair of the Ministerial Advisory Committee (the committee) of the Health New Zealand (Health NZ) New Dunedin Hospital (NDH) Project for a 1-year term of appointment commencing on 5 August 2024 and ending on 4 August 2025. This position description is designed to guide you in this role. This position description may be varied by me at any time during the period of your appointment. It is important that you read this document carefully, and in its entirety, and retain it for future reference.

### Statutory basis for appointment

Your appointment as chair of the committee is made pursuant to section 87 of the Pae Ora (Healthy Futures) Act 2022 (the Act). Section 87 of the Act states that the *Minister may establish any committee (a ministerial committee) that the Minister considers necessary or desirable for any purpose relating to this Act or its administration and that a ministerial committee has the functions that the Minister determines by written notice to the committee.*

### Role of a Ministerial Advisory Committee

As the chair of the committee, it is my expectation that you will attend and receive relevant paper for all related governance mechanisms meetings where this project is discussed: NDH Executive Steering Group, Health NZ Board, and other related governance mechanisms (all related governance mechanisms). I have written to the Commissioner of the Health NZ Board expressing my expectation that you will be invited to attend these meetings and have access to information and in-house expertise as required.

### My expectations of you

I expect that you will work with all related governance mechanisms to:

- provide clarity as to the effectiveness of all related governance mechanisms to address performance challenges with the NDH project.
- provide assurance and independent advice to all related governance mechanisms with a specific emphasis on risk management and mitigations, integration of the whole NDH programme, and ensuring the project is positioned for success.
- ensure that my priorities are well understood and are appropriately reflected in the Board's decision-making process.

I also expect you to advise on elements of the NDH project, including but not limited to:

- Governance – including roles, responsibilities, and information flows to ensure that decision makers can take timely and well-informed decisions and that appropriate risk management and accountability arrangements are in place.
- Comprehensive project delivery – ensuring that the project delivers a fully functional hospital including a workforce that is ready to go and the required data and digital elements.
- Outpatients building readiness - an achievable and affordable commissioning plan for the outpatients building to ensure this facility is ready to welcome patients without delay in 2026.

To achieve the above, I expect that you will work closely with the Commissioner/Board



chair, as well as all related governance mechanisms and Board members, as required.

I expect your appointment will assist the Board/Commissioner and all related governance mechanisms to make informed decisions. I know you will work cooperatively with and in support of the Commissioner/Board chair.

### **Reporting**

You will be expected to review progress made over the course of your appointment and provide regular updates to me, the Infrastructure and Investment Ministers and the Ministry of Health | Manatū Hauora.

I expect that you will provide me with:

- a short, high-level report following your attendance at your first Board meeting with your initial impressions and proposed areas for further investigation.
- written quarterly reports outlining:
  - progress made on the expectations set out above.
  - the current risks to the NDH project, and oversight of these by the Executive Steering Group and the Board.
  - any other pertinent matters.

I have asked the Ministry of Health to provide required secretariat support to help you deliver the above. The sequencing for these quarterly reports should be agreed directly with the Ministry so that they can also be used to inform the regular performance monitoring meetings between the Ministry and Health NZ, as well as the regular meetings of the Infrastructure and Investment Ministers.

### **Conflicts of interest**

I expect that you will advise the Ministry of any perceived, potential, or actual conflicts of interest that may arise during your term as chair of the committee. If, and when, such conflicts occur, I expect you will discuss the conflict with the Ministry and jointly provide me with information on your proposed management and mitigation activities.

### **No surprises policy**

The 'no surprises policy' is a critical component of maintaining ministerial trust and confidence. To this end, I ask that you provide me with early warning of any relevant risks or issues so that these can be dealt with further if necessary.

This includes circumstances where it is prudent for you to disclose to me issues that may require a Ministerial response, are possibly considered contentious, or which may attract wide public interest (be it positive or negative). Open and effective communication between us (and/or my representatives) is vital to building strong relationships, while maintaining clear lines of accountability.

### **Secretariat Support**

As noted above, the committee will be supported by a secretariat function provided by the Ministry of Health. The Secretariat will not provide a research function for you but will support formal communications with me and/or the Infrastructure and Investment Ministers on matters of relevance. It will ensure you have the resources needed to be effective in your role. The Secretariat will respect your commitment by ensuring effective and efficient planning, preparation, and implementation of Group processes.



The Secretariat will also develop necessary business processes and protocols to ensure you comply with all relevant privacy, security and legislative requirements. This includes but is not limited to the requirements of the Official Information Act 1982, the Privacy Act 2020 and the Public Records Act 2005.

### **Official Information Act requests**

All information held or produced by you as chair of the committee, including that held or produced by government agencies, is subject to the Official Information Act 1982. The Secretariat is responsible for responding in a lawful manner to any Official Information Act requests you may receive.

### **Remuneration**

The fee payable to you as chair of the committee is \$1,167 per day as per Cabinet Office Circular CO (22) 2, *Fees framework for members appointed to bodies in which the Crown has an interest*.

The fees will be paid through Health NZ. Taxation matters depend on personal circumstances. In general, fees are classed as 'honoraria' for the purposes of income tax regulations and are not subject to GST.

## **Appendix 2: Skills Matrix for Committee**

### **Mandatory**

#### Governance

- Experience either through Board governance roles, experience on steering groups for large complex programmes of work or through senior management roles with exposure to Board governance.

#### Judgement and risk identification and mitigation/management

- Experience in roles which demonstrate an ability and comfort level with decision making in a complex environment where a high degree of judgement is required.

#### Infrastructure construction

- Understanding of procurement or construction of large, complex projects and ability to contribute at Steering Group level.

### **Desirable**

#### Health/Infrastructure construction

- Hospital redevelopment experience and/or facility construction at a governance or senior leadership level. Health-specific expertise (including experience with managing contractor arrangements or similar, if possible).

#### Health sector experience

- Ability to review integration across service planning, digital and construction streams of the programme.

### **Beneficial**

#### Understanding of the machinery of Government

### **Appendix 3: Notice of Appointment**

## NOTICE OF APPOINTMENT **NOTICE TO THE HOUSE**

### **Ministerial Advisory Committee for New Dunedin Hospital Project**

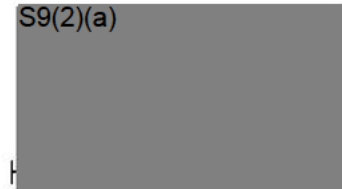
Pursuant to section 87 of the Pae Ora (Healthy Futures) Act 2022, the Minister of Health has appointed the Ministerial Advisory Committee for New Dunedin Hospital Project. The Committee has 1 member comprising:

Evan Davies as Chair

with a term of office commencing on 5 August 2024 and ending on 4 August 2025.

Dated at Wellington this 6<sup>th</sup> day of August 2024.

S9(2)(a)



**Minister of Health**



05 AUG 2024

Professor Lester Levy  
Commissioner  
Health New Zealand – Te Whatu Ora  
lester.levy@tewhatauora.govt.nz

Tēnā koe Lester

**Appointment of Ministry Advisory of Committee for the New Dunedin Hospital Project**

I am writing to inform you I am establishing a Ministerial Advisory Committee (the committee) for the New Dunedin Hospital (NDH) Project under section 87 of the Pae Ora (Healthy Futures) Act 2022. The committee chair, Evan Davies, will commence on the date of this letter for an initial term of 1 year.

The committee will serve as an independent body providing external advice and assurance to myself and the Infrastructure and Investment Ministers regarding the progression and status of the project.

The NDH project is significant in its size and complexity, and it is crucial to ensure transparency, accountability, and expert oversight throughout its various stages. The committee will play a vital role in this regard, offering impartial guidance and expertise to support informed decision-making and effective project management.

I expect the committee will:

- increase transparency and visibility of how governance mechanisms are interacting with and influencing the NDH project to address performance challenges
- provide assurance and independent advice on governance mechanisms, with a focus on strategic direction setting, prioritisation, planning and risk management, and expectations for operational delivery performance management including financial matters
- ensure there are appropriate supporting plans and operating models in place to ensure improved performance in the medium term
- ensure that the priorities of the relevant Ministers are well understood and are appropriately reflected in the Health New Zealand decision-making process.

As the Commissioner of Health New Zealand, your support and cooperation are essential in facilitating the implementation of the Ministerial Advisory Committee. I expect the committee to attend Board/Commissioner and NDH Executive Steering Group meetings, as well as any other related governance mechanism meetings and be provided with copies of all

information provided at those meetings. I also expect Health New Zealand to facilitate the committee's access to information and in-house expertise as required.

I look forward to your continued collaboration as we work towards the successful delivery of the NDH Project.

Nā S9(2)(a)

Ho

Minister of Health

# Hon Dr Shane Reti

Minister of Health  
Minister for Pacific Peoples



5 August 2024

Evan Davies

S9(2)(a)

Dear Mr Davies

## **Appointment as Chair of the Ministerial Advisory Committee for the New Dunedin Hospital Project**

Congratulations on your appointment as chair of the Ministerial Advisory Committee (the Committee) for the New Dunedin Hospital (NDH) Project. I am pleased that you have chosen to make yourself available and I look forward to engaging with you constructively and regularly on the NDH project.

Your appointment as chair of the Committee is made pursuant to section 87 of the Pae Ora (Healthy Futures) Act 2022. Your term of office commences on the date of this letter, for a term of 1 year.

The NDH project is significant in its size and complexity, and it is crucial to ensure transparency, accountability, and expert oversight throughout its various stages. The committee will play a vital role in this regard, offering impartial guidance and expertise to support informed decision-making and effective project management.

My expectations, priorities and focus areas for you in this role are outlined in Terms of Reference for your appointment which are attached to this letter. The fee for your work as a member of the Committee is \$1,167 per day, plus reimbursement of expenses.

Please formally acknowledge your appointment by signing and returning the acceptance form at the end of the attached terms and conditions to Stasha Mason in the Ministry of Health [appointments@health.govt.nz](mailto:appointments@health.govt.nz).

Thank you for your willingness to serve on the committee. I am confident you will make a significant contribution.

Yours sincerely,

S9(2)(a)

Hon Dr Shane Reti  
**Minister of Health**



# Briefing for decision

## New Dunedin Hospital Lessons Learned

<b>Date due to MO:</b>	17 September 2024	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	H2024046937
<b>To:</b>	Hon Dr Shane Reti, Minister of Health		
<b>Consulted:</b>	Health New Zealand: <input type="checkbox"/>		
<b>Proactive release:</b>	This <b>title</b> is proposed by the Ministry of Health for proactive release: <input type="checkbox"/>		

## Contact for telephone discussion

Name	Position	Telephone
Simon Medcalf	Deputy Director-General, Regulation and Monitoring   Te Pou Whakamaru	S9(2)(a)
Jo Strachan-Hope	Manager, Capital and Infrastructure Monitoring, Regulation and Monitoring	S9(2)(a)

## Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Decline	<input type="checkbox"/> Noted
<input type="checkbox"/> Needs change	<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn	

Comment:



# Briefing for decision

## New Dunedin Hospital Lessons Learned

---

<b>Security level:</b>	IN CONFIDENCE	<b>Date:</b>	17 September 2024
------------------------	---------------	--------------	-------------------

---

<b>To:</b>	Hon Dr Shane Reti, Minister of Health
------------	---------------------------------------

---

### Background

1. In March 2024, the Ministry of Health | Manatū Hauora (the Ministry) provided you with options to assure you that the Health New Zealand | Te Whatu Ora (Health NZ) Board is adequately managing the high-risk New Dunedin Hospital (NDH) project (H2024037396 refers).
2. You agreed to:
  - a. a targeted investment review, facilitated by Te Waihangā, to assess the project's readiness to contract and its ability to deliver outcomes and benefits against its agreed objectives (completed).
  - b. establishment of a Ministerial Advisory Committee (completed).
  - c. a "short review, around key decisions to date on the project to ascertain lessons learned for future projects" led jointly by the Ministry and Health NZ.

### Lessons Learned Review

3. A lessons learned review was recommended to understand the causes and responses to the challenges the NDH project has faced. These challenges have resulted in changes to scope, design and budget. Learning from these will benefit future projects.
4. The lessons learned review will complement the targeted investment review facilitated by Te Waihangā, and the Implementation Business Case in development by Health NZ.
5. Cabinet noted that you directed the Ministry and Health NZ to undertake a review, to be led by an independent expert, to ascertain lessons learned from the project to date [CAB-24-MIN-0095].
6. The completed targeted investment review had a wider scope than originally anticipated and covered many elements of the expected scope of the lessons learned review, including:
  - a. analysis of current and previous governance arrangements over the project history.
  - b. an assessment of previous project reporting and whether the reporting ensures that all layers of governance are appropriately aware of project status and key risks/issues across all project workstreams and interdependent initiatives.
  - c. recommendations to improve the current governance structure and wider project and programme delivery.

7. For this reason, and given current funding constraints, we propose that the remaining elements of the lessons learned review now be run as joint workshop with Health NZ, led by an internal independent facilitator. Note that additional assurance will be provided by the draft report being reviewed by the Ministerial Advisory Committee Chair, Evan Davies.
8. We consulted with Health NZ on the proposed approach and the terms of reference. Health NZ supports our recommendations.
9. The Terms of Reference for the review are attached as **Appendix One**.
10. We recommend you agree to the Terms of Reference and note that this review can be run as a joint workshop, led by an internal independent facilitator. If any substantial changes are made to the Terms of Reference, we will update your office.

## Recommendations

We recommend you:

- |                                                                                                                                                                                                                      |               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| a) <b>Note</b> you agreed to a short lessons-learned review, led jointly by the Ministry and Health NZ, around key decisions to date on the New Dunedin Hospital project.                                            | <b>Yes/No</b> |
| b) <b>Note</b> Cabinet noted that you directed the Ministry and Health NZ to undertake a review, to be led by an independent expert, to ascertain lessons learned from the project to date [CAB-24-MIN-0095 refers]. | <b>Yes/No</b> |
| c) <b>Agree</b> the Ministry and Health NZ will progress the remaining elements of the lessons learned review as a joint workshop led by an internal independent facilitator.                                        | <b>Yes/No</b> |
| d) <b>Agree</b> to the Terms of Reference attached as Appendix One.                                                                                                                                                  | <b>Yes/No</b> |

Simon Medcalf  
**Deputy Director-General**  
**Regulation and Monitoring | Te Pou Whakamaru**

Date: 16 September 2024

Hon Dr Shane Reti  
**Minister of Health**  
Date:

## **Appendix One: NDH Lessons Learned Terms of Reference**

# NDH Lessons Learned Terms of Reference

## Objective of this review

1. This review will investigate what can be learned from the progress of the NDH project to date.
2. The outcome will support enhancements to delivery of the current NDH project (where required) and will support future regional hospital redevelopment programmes or other significant projects.
3. This will provide joint Ministers with an understanding of the information available and decision-making process in relation to:
  - a. project location, scope and design
  - b. how changes to scope, budget and time were managed
  - c. communication and reporting to monitors and Ministers/Cabinet, and
  - d. overall governance, including the role of the Local Advisory Group.

## Context

4. This one-off independent review of lessons learned from the New Dunedin Hospital (NDH) project was commissioned by the Minister of Health as part of a suite of assurance reviews / measures relating to the NDH project.
5. The review is intended to support understanding of the causes and responses to the several challenges the NDH project has faced which have resulted in changes to scope, design and budget.
6. The review will complement the readiness review undertaken by The New Zealand Infrastructure Commission | Te Waihanga and the Implementation Business Case as outlined in New Dunedin Hospital cost pressure funding CAB-24-MIN-0095. Additional assurance for the NDH project is being provided by the appointment of a Ministerial Advisory Committee to the NDH project.
7. CAB MIN noted that the Minister of Health has directed the Ministry of Health and HNZ to undertake a review, to be led by an independent expert, to ascertain lessons learned from the project to date.
8. In undertaking this review, it is acknowledged that the project delivery has been under the responsibility of XX governance structures.

## Process

Health NZ and the Ministry of Health recommend:

- a series of two-hour workshops, held over two days, addressing each of the four areas (1a – 1d) above
- workshops to be facilitated by an independent person (an employee of either Health NZ or the Ministry is preferred, noting that they are not required to be a subject matter expert)
- background materials/summaries of facts will be provided so that the discussion can focus on attendees perspectives of the implications.

Anticipated timing: to occur by end October.

**Output**

The Ministry and Health NZ will provide the Minister of Health and Finance with the output of the review. The review will also be shared with the Treasury and the Infrastructure Commission, and attendees, on a confidential basis.

Joint Ministers may wish to share the report with the Infrastructure and Investment Ministers Group.

## Summary of proposed scope of the four workshops

Area & Questions to be answered	Background summary information to be provided (lead to prepare)	Proposed attendees
<p><b>1A: Project location, scope, time and cost estimates at business case approval/s</b></p> <ul style="list-style-type: none"> <li>Was the process undertaken to select the site transparent and robust, with all relevant factors considered (including wider economic impacts)?</li> <li>Were all key artefacts available to inform the business case decision making, including clinical service planning, asset assessments and geotechnical information? Were initial cost and time estimates appropriately evidenced (eg supported by independent review, QRA and QS estimates)?</li> <li>Were decisions about delivery (number of buildings) supported by robust information?</li> <li>Was the procurement strategy appropriate for the location and market, and was sufficient market engagement undertaken to understand the location risks?</li> <li>Were project interdependencies (e.g., data and digital plan, workforce strategy, model of care) sufficiently integrated and tracked within the project?</li> <li>Was the engagement with clinicians and other key stakeholders managed appropriately when setting the initial scope</li> </ul>	<p>advice on site selection process (MoH)</p> <p>information available in business cases, including basis of cost estimates (MoH / HNZ)</p> <p>procurement strategy documentation, market sounding process and output (HNZ)</p> <p>project reporting (HNZ)</p>	<p><b>Ministry</b> John Hazeldine</p> <p><b>Health NZ</b> XX</p> <p><b>Other</b> Treasury - Davin?</p>
<p><b>1B: Project scope, time and costs estimates over time</b></p> <ul style="list-style-type: none"> <li>Were processes in place, and applied, to robustly interrogate and control scope, time and costs throughout the life of the project?</li> <li>What were the main drivers of the need to update estimates of time and budget over time, and were these well evidenced? To what extent was the COVID/supply chain challenges a driver of cost?</li> </ul>		<p><b>Ministry</b> John Hazeldine</p> <p><b>Health NZ</b></p>

