

## Budget Sensitive

Office of the Minister of Health

Cabinet Expenditure Committee

## Wellington Regional Hospital Emergency Department Refurbishment: Detailed Business Case

### Proposal

- 1 This paper seeks your approval of the Detailed Business Case for the Wellington Hospital Emergency Department Refurbishment Project (Wellington ED).

### Relation to government priorities

- 2 The proposed investment in Wellington ED is aligned to the New Zealand Government Health Target: “Shorter Stays in the Emergency Department”, and “Achieving the Health Targets – High Level Implementation Plan July 2024 - June 2027” which I announced on 12 September 2024.

### Executive Summary

- 3 The Wellington ED has consistently been one of the lowest performers nationally against the 6-hour shorter stays in emergency department performance measure, meeting this standard for only 46% of all attendances. The existing ED and acute services lack capacity to meet demand, and have a layout constraining patient flow, resulting in one-in-ten patients not waiting to see a clinician and one-third of patients spending time in a corridor rather than receiving treatment in a cubicle.
- 4 Wellington ED is one of four projects identified in the Health Infrastructure Plan (HIP), part of Health NZ’s ten-year roadmap for physical, digital, and health technology infrastructure, as priorities to seek funding for Budget 25. Prioritisation is largely based on clinical need and asset failure risk. Progressing this project now will enable Health NZ to deliver value as soon as possible from a well-advanced project.
- 5 As outlined in the Detailed Business Case (DBC) at **Appendix A**, I seek your approval of Option 3: Refurbishment with maximum capacity expansion to enable flow (capital cost of \$9(2)(b)(ii) ) as the preferred option. It is the only option to provide sufficient capacity in each element of the system (ED, assessment and in-patient beds) to enable Wellington Regional Hospital to move towards 95% performance against the Government’s Shorter Stays in the Emergency Department health target. It also has the lowest cost per additional point of care.
- 6 The project is proposed to be delivered entirely by repurposing existing buildings. Should funding be made available through Budget 2025, these projects would be progressed over a five-year period with completion by quarter 2, 2030 – with benefits from the expansion of the Intensive Care Unit in 2027 and commissioning of the new emergency department in early 2029. The repurpose of the buildings and

redistribution of services will support the future growth and expansion of services at Wellington Hospital.

- 7 The Wellington ED project is seeking s 9(2)(b)(ii) in capital funding from Budget 25. The remaining s 9(2)(b)(ii) of capital costs has already been provisioned in the Health Capital Envelope multi-year appropriation, with \$40 million of design and enabling works already approved by Ministers.
- 8 The Treasury completed a Gateway review of this DBC in September 2024 finding the project well positioned for the next stage.
- 9 To maintain progress and avoid delay-related costs, I seek your approval to delegate approval of Implementation Business Cases (ImBCs) separate construction projects making up the complete Wellington ED project to the Minister of Finance, Minister for Infrastructure, and myself jointly with the ability to approve change in the scope, timing or capital cost of the ImBCs as long as the total capital cost of the project will not exceed s 9(2)(b)(ii)

### Background (Strategic case)

- 10 Wellington Regional Hospital is a tertiary service centre that serves the people of the Wellington Region, the lower North Island, and upper South Island. Wellington Regional Hospital faces a growing demand for services but operates within a highly congested site. Consequently, a staged development of the hospital site is required to minimise disruption to services. The initial stage of development now underway includes projects to enhance site resilience and expand capacity. Relocating the Wellington ED is the next stage in the development of the hospital site and the essential step for the subsequent planned phase of significant expansion of in-patient capacity included within Health NZ's long-term HIP.

#### *Strategic case for Wellington Emergency Department Refurbishment*

- 11 The Wellington ED has consistently been one of the lowest performers nationally against the 6-hour shorter stays in emergency department performance measure, meeting this standard for 46% of all attendances, for 29% of those admitted, and for 54% for those not admitted. The existing ED and acute services spaces:
  - 11.1 lack capacity to address demand with 53 points of care (sites of patient treatment) currently compared with the demand for 72 points of care, with demand forecast to increase (83 points of care by 2037).
  - 11.2 have a layout that is hindering further improvements to models of care, optimal patient flow, and operational efficiencies.
- 12 These constraints have flow-on effects that exacerbate health outcomes: a 35% increase on the number not waiting for treatment since 2019 with one in ten people presenting to the Wellington ED now not waiting to be seen by a Clinician, and one third of patients spending time in the ED corridor, rather than receiving treatment in a cubicle.
- 13 Emergency department capacity challenges are indicative of issues with wider system flow between primary, secondary, and tertiary care. Health NZ is undertaking work to

improve flow and provide capacity upstream to reduce demand on emergency departments, including through an expanded primary care workforce and utilising digital alternatives for primary and urgent care. The Delivering Quality and Timely Primary Care paper approved by Cabinet in early March 2025, sets out actions including expanding digital access to primary care, providing a consistent set of core urgent care services, and enhancing the primary care workforce. This will support relieving some demand for emergency departments in the short- and medium-term.

- 14 Health NZ is also undertaking operational changes to address the performance against the target. Wellington Regional Hospital has established the Acute Flow Steering Group that is meeting weekly to identify and drive immediate improvements in practice. A 90-day plan is also being finalised that will set out further actions to support improvement in the performance against the target. The proposed investment in Wellington ED will subsequently focus on strengthening longer-term capacity.
- 15 The current ED, while safe to occupy, is also at medium to high-risk of seismic failure, putting people at risk during and after a major seismic event. Wider hospital occupancy also remains high, highlighting that investment in additional assessment unit beds, critical care beds, and general adult inpatient beds, alongside increased ED capacity, is critical for realising timely access and treatment for all patients.

*Previous decisions and prioritisation*

- 16 The Indicative Business Case for Wellington ED was approved jointly by the former Ministers of Health and Finance in May 2023, along with an initial \$10 million of funding to allow design and enabling works to be progressed. In November 2024 the previous Minister of Health also approved \$30 million for the continuation of the design and enabling works and prevent any delay to the subsequent delivery of the main project.
- 17 Wellington ED is one of four projects in the HIP (the physical infrastructure component of the forthcoming 10-year infrastructure roadmap across physical, digital and health technologies informed by the National Clinical Service and Campus Plan) that have been prioritised for seeking capital funding in Budget 25. It is not a list of requests for funding from Budget 25 or future Budgets, nor is the inclusion of projects a guarantee I will seek funding for them in the future. The HIP was agreed in principle by Cabinet in early March 2025, subject to Budget decisions and business case approvals [CAB-25-MIN-0051].
- 18 This plan prioritises projects on the following considerations:
  - 18.1 Importance within the National Clinical Services and Campus Plan, which sets Health NZ's strategic direction and priorities for changes in models of care, service delivery models and capacity required to deliver on government priorities and was endorsed by Health NZ's Board in December 2023.
  - 18.2 Delivery of benefits committed to through projects planned and approved prior to the establishment of Health NZ.
  - 18.3 The risk of asset failure.

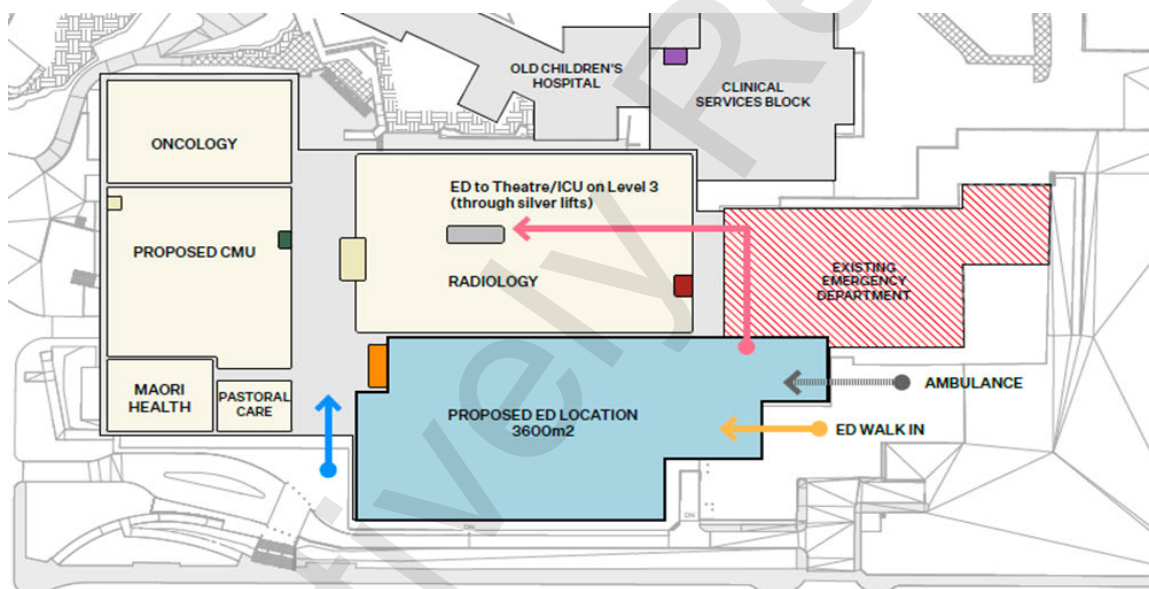
18.4 Staging of investments to enable long term campus development.

18.5 Investment readiness.

### Analysis (Economic case)

- 19 In the 2023 Indicative Business Case and in this DBC, Health NZ considered a range of investment options to meet future ED demand, create additional capacity, support new models of care, and enable implementation within the short to medium term.
- 20 In Health NZ's analysis, on-site redevelopment was preferred to maintain connection between the region's ED and critical tertiary services. Risks of unanticipated complexity are mitigated by site knowledge gained through the recent New Children's Hospital and Copper Pipes Remediation projects at Wellington Hospital. High-level master-planning has identified ground floor of the main hospital building as the only possible location to house a relocated and expanded ED that avoids service disruption.

*Figure one: Outline of the key move of the Emergency Department from an adjacent building into the WRH building*



- 21 The short-listed options for the DBC supersede the preferred option for the IBC, as the updated seismic advice indicated that strengthening the ED building to the required standard for in-patient care was feasible. DBC options all involve a sequential move of services to house the relocated and expanded ED and to expand hospital capacity. Each option adds 34 points of care in the ED (taking total capacity up to 87 points of care, more than the 83 forecast for 2037 demand) and provides additional medical assessment and planning (2), ambulatory/outpatients (36) and intensive care (4) points of care to address demand and contribute to improved patient flow.
- 22 The three options differ in the capacity that they create to enable support optimal hospital flow and outflow from the ED, which will better realise benefit of the additional ED capacity:

- 22.1 **Option 1:** Refurbishment with minimal capacity expansion to enable flow s 9(2)(b)(ii) – a total increase of 94 points of care and additional in-patient beds (18). This does not provide any additional surgical assessment and planning capacity which limits patient outflow from the ED.
- 22.2 **Option 2:** Refurbishment with intermediate capacity expansion to enable flow s 9(2)(b)(ii) – a total increase of 104 points of care, including general adult beds (14), and surgical assessment and planning capacity (14).
- 22.3 **Option 3:** Refurbishment with maximum capacity expansion to enable flow s 9(2)(b)(ii) – updated estimate after a Quantitative Risk Assessment (QRA). Using the same QRA methodology as other options, Option 3 was originally costed at s 9(2)(b)(ii) – a total increase of 126 points of care including general adult beds (36), and surgical assessment and planning capacity (14).
- 23 These options were considered for their ability to deliver agreed investment objectives, critical success factors and the benefits sought by the project. Multi-criteria assessment was preferred to a full cost-benefit analysis because most of the project's benefits are difficult to monetise in a consistent way.
- 24 Option 3: Refurbishment with maximum capacity expansion to enable flow s 9(2)(b)(ii) scored highest in multi-criteria analysis and is the preferred option. It is the only option to provide sufficient capacity in each element of the system (ED, assessment and in-patient beds) to enable Wellington Regional Hospital moving from 46% (one of the worst performers) towards 95% performance against the Government's Shorter Stays in the Emergency Department health target.
- 25 While it is the most expensive option at s 9(2)(b)(ii), it has the lowest cost per additional point of care and critically provides an additional 36 in-patient beds (double that of the alternative options) and is the best value for money option.

**Table 1: Summary of options**

	Do Nothing Status Quo	Option 1: Refurbishment with Minimum Capacity Expansion	Option 2: Refurbishment with Intermediate Capacity Expansion	Option 3: Refurbishment with Maximum Capacity Expansion (Recommended)
Additional points of care	0	94	104	126
Enables meeting the Shorter Stays in Emergency Departments health target	No	No	No	Yes
Capital Cost	N/A	s 9(2)(b)(ii)		
Additional operating Cost (Excl Depreciation, Capital Charge)	N/A			
Cost per new point of care	N/A			
Preferred option	No	No	No	Yes

\* Updated estimate after a Quantitative Risk Assessment.

- 26 Option 1 scored poorly in assessment due to low additional capacity and significantly less mitigation of the drivers behind the poor performance of the ED. Option 2 scored

more strongly in the assessments but has more limited bed capacity. Both options 1 and 2 have significantly higher cost per point of care than the preferred option.

*Long-term development of Wellington Regional Hospital*

- 27 The preferred option in this DBC is not a total solution to all Wellington Regional Hospital capacity constraints. It is an intermediate step which adds capacity and improves flow to address current safety issues that impact on timely and safe patient care in the ED and acute assessment units within current capital constraints.
- 28 It is also a critical part of the sub regional hospital planning that will optimise services and patient flow through Hutt and Kenepuru hospitals respectively, to help free up capacity at Wellington Regional Hospital.
- 29 There remains a need to progress a more long-term solution for the capacity needs of the Wellington Regional Hospital campus. The proposed investment is a critical enabler of the future development of additional capacity across the campus. Health NZ has included planned investment in additional inpatient capacity at Wellington Regional Hospital in the National Campus and Clinical Services Plan and HIP.

**Financial implications (Financial case)**

**Table 2: Financial implications (Option 3 – preferred option)**

Expenditure and Revenue (\$m)	Financial Year										
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	Total
Capital expenditure	s 9(2)(b)(ii)										
Operating expenditure											
Total Expenditure											
Funded by:											
Existing Capital											
Extra Capital											
Operating baseline											
Total											

- 30 The estimated capital cost for the refurbishment in the Recommended Option has been prepared by Rider Levett Bucknall, Quantity Surveyor and is s 9(2)(b)(ii) as at October 2024. This includes:

- 30.1 \$10 million approved for the project when the Indicative Business Case was approved in 2023.
- 30.2 \$30 million released from the Health Capital Envelope for contracting and completing enabling works. The former Minister of Health, Hon Dr Shane Reti, approved this release in November 2024 for works which were planned and accounted for in the DBC, and ready to proceed to ensure that the



Wellington ED Refurbishment project can meet planned timeframes and avoid delay-related costs.

- 30.3 The proposed commitment s 9(2)(b)(ii) of funding provisioned within the Health Capital Envelope for the project.
- 30.4 The request for s 9(2)(b)(ii) in funding from Budget 25.
- 31 Operating expenditure for this project relates to the cost of staffing and operating the new capacity. Funding for operating expenditure is not being sought in as part of this business case: it will be funded from baselines and future cost pressure funding.
- 32 The contingency provisioned in the budget has been determined sufficient for the risks identified. Detailed planning and lessons from the Copper Pipes project have been used to appropriately manage risk and identify contingencies for the project. s 9(2)(b)(ii)
- Drawdown of the contingency is subject to approval from the Commissioner.

### Implementation (commercial and management cases)

- 33 The logistics of the Recommended Option are complex but well-defined. The project is proposed to be delivered entirely by repurposing existing buildings. The project plan sequences 14 distinct activities each refurbishing an existing building, with construction being progressed through four separate construction projects. Should funding be made through Budget 2025 these projects would be progressed over a five-year period and expected to be completed by quarter 2, 2030. However, the new emergency department will be commissioned in early 2029 and benefits from expanded Intensive Care Unit and Medical Assessment and Planning Unit anticipated from 2026 and late 2027 respectively.

**Table 3: Key project delivery milestones**

Construction project	Scope	Start	Finish
Clinical Services Block (CSB) Level 11 fit out	Refurbishment Construction Works (part of the initial enabling works)	06/01/25	18/7/25
Old Children's hospital (OCH) seismic and refurbishment	Seismic Strengthening Construction Works (part of the initial enabling works)	13/01/25	May 2025
New Emergency Department	Refurbishment Construction Works s 9(2)(b)(ii)	29/01/25	6/05/26
Intensive Care Unit (ICU) expansion			

*Procurement and delivery*

- 34 Health NZ approved a procurement plan for the overall project in August 2023. Most major procurement, including main contractor selection, has been completed and contracts developed subject to approval of this DBC, Budget funding and ImBCs.
- 35 A procurement exemption to the Government Procurement Rules was approved by Health New Zealand to allow the direct appointment of Naylor Love Wellington Limited as the Main Contractor for the delivery of the ED part of the project. Naylor Love was the main contractor already in place for the Copper Pipes Remediation project. The exemption was approved to enable tighter coordination of works between the projects (with expected time and cost savings) and to avoid potential issues with continuation of warranties and guarantees on the Copper Pipes project.
- 36 The governance arrangements for the Wellington Hospital Emergency Department Refurbishment Project are mature and have been operational since 2022. Project planning for the Wellington ED project and delivery of the Copper Pipes project on the Wellington Regional Hospital site (to date, within timeframes and to budget) is progressing well. Existing relationships with key suppliers and well-resourced Health NZ project teams that have been working on the site would continue into the Wellington ED project. Key delivery risks and mitigations are set out in Table 4:

**Table 4: Key delivery risks and mitigations**

Risk	Consequence (H/M/L)	Likelihood (H/M/L)	Controls / Mitigations	Residual Risk
If future planned investments to increase inpatient capacity and supporting systems are not progressed, full benefits of improved ED flow will not be realised.	High	High	Data and Digital investment to include flow initiatives. Further investment in Wellington Regional Hospital is included in the HIP.	Medium
If the change management required does not match the impacted services, decanting of non-clinical personnel and other changes of working, there may be lack of support for the project and disruption to operations.	High	High	Project team to refresh the Change Management Plan, continue engagement with affected staff and recruit a change manager.	Low
If there are material changes to the methodology or implementation of the project as agreed with suppliers in procurement activities, then reputational, financial and legal implications may result.	Medium	Low	Good procurement and delivery practice including relationship management with main contractors and suppliers and project governance.	Low
If the design is unable to deliver the intended points of care due to technical challenges, then intended benefits will not be realised and increased pressure may transfer to operational and digital development to achieve efficiencies.	Low	High	Reuse of the existing ED building provides additional capacity to support patient flow from the ED.	Low
If the business case is not successful in achieving investment and the preferred option, there will be delays, likely cost escalation, potential for changes in investment priorities and/or project failure.	High	Low - Medium	Health NZ has undertaken engagement with government agencies and submitted the project for Gateway review. Replanning for future investments to meet demand would be required.	Low

*Delegating approval of Implementation Business Cases*

- 37 To maintain delivery timelines, support achievement of the Government's Shorter Stays in the Emergency Department health target and avoid delay-related costs, I propose the following approval pathways for the separate construction projects.
- 38 I seek your agreement to:



- 39 delegate approval of the Implementation Business Cases (ImBCs) for the New Emergency Department and Intensive Care Unit Expansion projects to the Minister of Finance, Minister for Infrastructure, and myself on the basis that there is no material change in the scope or timing of the business case and the total capital cost of the project will not exceed s 9(2)(b)(ii)
- 40 delegate to the Minister of Finance, Minister for Infrastructure, and myself the authority to agree any change in the scope, timing or the capital cost for any of the four construction projects outlined at Table 3 within the total project cost envelope.
- 41 Consistent with existing policy settings, a change in the total budget for the Wellington ED project would require approval by the Minister of Finance and myself.

### **Investment assurance**

- 42 The Treasury completed a Gateway review of this DBC in September 2024 and gave a delivery confidence assessment status of amber/green. The Review team found the project is positioned well for the next stage and demonstrates a mature understanding of complexity and risk, broad support for the preferred option, and recommended suppliers with extensive site knowledge and demonstrated performance. The business case quality assessment and action plan are included as **Appendix B**.

### **Cost-of-living Implications**

- 43 This paper has no direct cost of living implications.

### **Legislative Implications**

- 44 There are no legislative implications arising from the proposals in this paper.

### **Impact Analysis**

#### **Climate Implications of Policy Assessment**

- 45 The decrease of greenhouse gas emissions is not a key policy objective for the Wellington ED project.

#### **Population Implications**

- 46 This project is designed to meet the Wellington region need for ED capacity to 2037, taking into account increasing population diversity and age with resulting health complexities. Addressing patient flow issues will benefit Māori, Pacific peoples and Disabled People who have been disproportionately represented in did-not-wait events.

#### **Human Rights**

- 47 There are no human rights implications arising from the proposals in this paper.

#### **Use of external Resources**

- 48 Wellington ED is a large and complex vertical infrastructure project. Health NZ has a core programme team and will procure external experts with the required technical expertise to deliver this project.

### Consultation

- 49 The Treasury, the Ministry of Health and the Infrastructure Commission have been consulted on this paper.

### Communications

- 50 With the Wellington ED proposal invited into the Budget 2025 process, communication of the project will be undertaken through that process.

### Proactive Release

- 51 I would anticipate delaying Proactive Release until after the completion of the Budget process.

### Next steps

- 52 Health NZ has prepared a Budget submission for the funding required. Note that this investment has been included in the Treasury's Quarterly Investment Reporting, which is the basis for Budget 2025 invitations.

### Recommendations

The Minister of Health recommends that the Committee:

- 1 **Approve** in principle the attached Detailed Business Case (**Appendix A**) subject to Budget 2025 decisions on funding.
- 2 **Approve** the preferred option of Refurbishment with Maximum Capacity Expansion, with an estimated cost of s 9(2)(b)(ii)
- 3 **Delegate** approval of Implementation Business Cases for the remainder of the Wellington ED construction (New Emergency Department and Intensive Care Unit Expansion projects) to the Minister of Finance, Minister for Infrastructure, and myself jointly.
- 4 **Delegate** to the Minister of Finance, Minister for Infrastructure, and myself the approval of any change in the scope, timing or capital cost for the implementation business cases within the total project cost envelope of s 9(2)(b)(ii)
- 5 **Direct** Health New Zealand to address any concerns raised by the Treasury in relation to the Implementation Business Cases.

Authorised for Lodgement.

Hon Simeon Brown

Minister of Health

Proactively Released

## **Appendix B: Outcomes and action plan from the Gateway review of the Wellington Regional Hospital Emergency Department Refurbishment Detailed Business Case**

### **Gateway Review Recommendations and Action Plan**

- 1) The Gateway Review Team assessed the project as Green Amber and made the recommendations in the Table 1 below, and prioritised using the following definitions. The Senior Responsible Officer's plan to address these recommendations is also included in the table 1 below.
  - a) **Critical (Do Now)** – To increase the likelihood of a successful outcome it is of the greatest importance that the project should take action immediately.
  - b) **Essential (Do By)** – To increase the likelihood of a successful outcome the project should take action in the near future.
  - c) **Consider (Good Practice)** – The project should benefit from the uptake of this recommendation.

### **Gateway Review Recommendations and Action Plan**

# BUDGET SENSITIVE

Ref.	Recommendation	Priority	Action Plan	Status
R1.	Consider the possibility of concurrent delivery of the Hybrid Theatre to avoid significant impact on the operations of the new ED and to avoid unnecessary costs.	Consider	<ol style="list-style-type: none"> <li>1. Confirm programme alignment and dependencies between this project, Copper Pipes remediation of the operating theatre suite and the proposed hybrid theatre to support progressing business case and investment confirmation for the Hybrid theatre.</li> <li>2. Engage with IIG and HTM on progress and outcome of capital planning.</li> </ol>	In progress. Hybrid Theatre included in Capital Planning with business case in development. Programmed delivery in mid-2027 to align with ED works programme.
R2.	Support the change management stream of the project with dedicated resources and expertise	Do on DBC approval	<ol style="list-style-type: none"> <li>1. Review and progress the current change management plan and critical activities over the next project phase to determine change management resource required.</li> <li>2. Commence recruitment for dedicated Change Management expertise</li> </ol>	In progress. Recruitment process commenced.
R3.	Prepare a Benefits Management Plan for each stage of the construction	On-going	<ol style="list-style-type: none"> <li>1. Workshop with stakeholders to agree benefits for each sub-project and develop a management plan for each stage of construction. <ul style="list-style-type: none"> <li>• Non-clinical spaces</li> <li>• Ambulatory areas</li> <li>• ICU</li> <li>• Assessment Units</li> <li>• ED</li> </ul> </li> </ol>	In progress and will complete by 28 Feb 2025
R4.	Progress funding of the current enabling works	DO NOW	<ol style="list-style-type: none"> <li>1. Confirm process to access allocated funds on approval of this DBC</li> </ol>	Completed. Process confirmed
R5.	Ensure funding to deliver the prerequisite activities for the next stage	DO ASAP	<ol style="list-style-type: none"> <li>1. Identify expertise within the project team or seek additional resource, and document work programme to deliver the following requirements: <ul style="list-style-type: none"> <li>• develop a contract management plan</li> <li>• establish a governance structure appropriate to the next phase of the project</li> <li>• develop/finalise detailed designs</li> <li>• develop a comprehensive change management plan</li> <li>• develop a detailed data and digital plan</li> <li>• develop Benefits Management Plans for each sub project</li> <li>• develop a detailed project management plan for the delivery phase</li> </ul> </li> </ol>	In progress and to be completed by 28 Feb 2025