

Briefing

Health New Zealand
Te Whatu Ora

Hawke's Bay Procedure Rooms

Due to MO:	27 March 2025	Reference	HNZ00076444
To:	Hon Simeon Brown, Minister of Health		
From:	Jeremy Holman, Chief Infrastructure and Investment Officer, Infrastructure and Investment Group		
Copy to:	n/a		
Security level:	In Confidence	Priority	Routine
Consulted	Ministry of Health		

Action sought	Action required by
Approve the request to release the remaining \$1.3 million from the Health Capital Envelope to complete Endoscopy Procedure Room 3 at Hawke's Bay Fallen Soldiers' Memorial Hospital.	3 April 2025
Approve a reduced scope for the project, to exclude the conversion of Procedure Room 1 to Ophthalmology.	3 April 2025

Contact for further discussion (if required)			
Name	Position	Phone	1st contact
Steve Crombie	Head of Infrastructure Central	s 9(2)(a)	x
Robyn Shearer	Deputy Chief Executive, Central		
Jeremy Holman	Chief Infrastructure and Investment Officer		

Purpose

1. This paper seeks the Minister of Health's approval to:
 - a) Proceed with the completion of Endoscopy Procedure Room 3 (the project) at Hawke's Bay Fallen Soldiers' Memorial Hospital (Hawke's Bay Hospital) using the remaining \$1.3 million of the previously approved \$3 million Health Capital Envelope funding.
 - b) Reduce the project scope by excluding changes to Procedure Room 1, which were originally planned to accommodate Ophthalmology on an interim basis. This is no longer required since Hawke's Bay Hospital has increased its theatre capacity. As a result, it is proposed that Procedure Room 1 will remain unchanged and continue to be used for Endoscopy.

Summary

2. The project was originally established in the 2019/20 financial year with an approved \$3 million from Health Capital Envelope funding to:
 - a) Convert one procedure room from Endoscopy to Ophthalmology (Procedure Room 1).
 - b) Convert a shelled room into an Endoscopy procedure room (Procedure Room 3).
3. The project contributes to progress to achieving the Health Targets, namely the faster cancer treatment target, through increasing capacity alongside the recent opening of Hawke's Bay's eight theatre.
4. Construction began in 2020 but was halted in 2021 due to COVID-19. At the time of suspension:
 - a) 80% of construction work (mechanical, electrical, and plumbing) for Procedure Room 3 was completed.
 - b) \$1.7 million has been expended on construction works and equipment.
5. Due to service changes and increased theatre capacity, the conversion of Procedure Room 1 to Ophthalmology is no longer necessary.
6. The existing Endoscopy facility, with only two operational procedure rooms, does not meet current service demand. Without expansion, patient wait times will continue to exceed the maximum acceptable limits. Adding an extra procedure room operating five days a week is expected to reduce wait times to within Government-recommended colonoscopy wait times.
7. Your approval is sought to proceed with refurbishing Procedure Room 3 for Endoscopy procedures and completing its clinical fit-out using the remaining \$1.3 million from the Health Capital Envelope. The Health New Zealand Commissioner approved the proposal on 20 March 2025.

Recommendations

Health New Zealand | Te Whatu Ora recommends that you:

- | | |
|---|---------------|
| a) Approve the request to release the remaining \$1.3 million from the Health Capital Envelope to complete Endoscopy Procedure Room 3 at Hawke's Bay Fallen Soldiers' Memorial Hospital. | Yes/No |
| b) Approve a reduced scope for the project, to exclude the conversion of Procedure Room 1 to Ophthalmology. | Yes/No |

Hon Simeon Brown, Minister of Health

Date:

Jeremy Holman
Chief Infrastructure and Investment Officer

Health New Zealand | Te Whatu Ora

Date:

Background

8. In 2014, when Hawke's Bay District Health Board (HBDHB) designed the Gastroenterology department, a third "shell" room was included to accommodate future Endoscopy service demand.
9. In 2020, HBDHB submitted a business case requesting \$3 million for:
 - a) The conversion of one of two existing Endoscopy rooms into an Ophthalmology procedure room (as an interim solution for theatre constraints in Surgical Services).
 - b) The completion of the shelled Procedure Room 3 for Endoscopy.
10. In 2021, due to COVID-19, the project was halted mid-construction. By then, \$1.7 million had been spent on construction and clinical equipment for Ophthalmology. No changes had been made to Procedure Room 1, and the purchased equipment has already benefited Ophthalmology.
11. In 2024, the Ophthalmology Service reduced its outputs to focus on outpatient care and realign services following an external review. With the recent opening of Hawke's Bay's eighth theatre, Ophthalmology has returned to in-house theatres. Demand for Ophthalmology is currently effectively managed and supported by clinical services as sufficient to meet the level of demand identified in the original business case.
12. s 9(2)(j)

Discussion

13. Health NZ recently undertook an internal project review to determine whether it is viable and necessary to continue with the project. This included an assessment of the costs to complete the work, the scope of works, and delivery of the project. Your approval is sought to proceed with refurbishing Procedure Room 3 for Endoscopy procedures and completing its clinical fit-out using the remaining \$1.3 million from the Health Capital Envelope.
14. With the opening of Hawke's Bay's eighth theatre, Health NZ also believes that the other part of the remaining scope from the original business case – converting an endoscopy room into an ophthalmology room temporarily – is no longer needed. We are therefore seeking your agreement to a scope change to remove this from the project.
15. The proposal received clinical endorsement from the Associate General Manager – Surgery and Electives and the Group Director of Operations – Te Matau a Maui (Hawke's Bay). The Health New Zealand Commissioner approved the proposal on 20 March 2025.
16. Proceeding with the completion of Procedure Room 3 is recommended as it delivers good value for money while increasing service capacity, and the shelled room remains ready to be fitted out. The following table outlines the comparative costs of proceeding with the investment versus the current state.

Options	Additional procedure room	No additional procedure room
s 9(2)(j)		

17. As construction was halted at 80% completion, the room is not currently accessible or in use. Some mechanical, electrical and plumbing work and fit out is still to be done as part of this investment. If work is not completed, this will remain with hoarding installed to prevent access.

Project timelines

18. The overall timeline for the project will span six months (including lead time for clinical equipment and the recruitment of a Senior Medical Officer), beginning immediately after approval.
19. The procurement strategy proposed is direct procurement with dispensation from standard procurement processes request under Rule 14.9. Professional Services are based on business continuity and risk mitigation.
20. The project plan assumes that a minor works contract will be executed with the original main contractor to complete construction on Procedure Room 3.
21. This strategy will provide the shortest timeline as well as maintaining Intellectual Property and continuity ensuring all consents, as-builts and warranties are provided on project completion.
22. If you agree to progressing the investment, the room will go online in mid FY 2025/26 and be at full operation from February 2026.

Financial implications

23. Completion of Endoscopy Procedure Room 3 would use the remaining \$1.3 million of the previously approved \$3 million Health Capital Envelope funding. No additional funding is required.

Capital Costs					
Ref	Description	Approved Business Case Budget (\$)	Spend to Date (\$)	Remaining Budget (\$)	Forecast to complete (new est. 2025) \$
1	Construction Costs	s 9(2)(j)			
2	Contingency				
3	Fixtures, Fittings and Equipment (L2&3)				
4	Consultant and PM Management Costs				
5	Pendants				
	TOTAL				

24. This capital investment includes an operational investment, funded out of baseline, of:

- a) s 9(2)(j) in 2025/26 based on operating three days per week from October 2025, then scaling to five days per week from February 2026.
- b) s 9(2)(j) annually from 2026/27 onwards, based on full five-day operation.

25. s 9(2)(j)

26. Without the third Procedure Room, Endoscopy will continue to manage the current production plan with two rooms and outsource the remainder, at an incremental operational cost to s 9(2)(j) per annum from 2026/2027 onwards. This compares to an incremental operational cost of s 9(2)(j) per annum from 2026/27 onwards, should the third procedure room proceed.

27. Health NZ is confident that the project can be completed within budget and funding available, as supported by a quantity surveyor.

Consultation

28. The Ministry of Health was consulted, and additional information has been included in this briefing to address the feedback received.

29. The Ministry of Health queried why this request to vary the scope of the project has taken nearly 10 months. This timeframe was due to the need to obtain cost estimates to ensure that the project could be completed within the allocated budget, prior to being put forward for approval. In addition, the proposal obtained internal approvals at the district, regional and Commissioner levels.

Next steps

30. Pending your approval, Health NZ will proceed with procurement and implementation. We will then provide you a new timeline outlining construction milestones, migration to the service, and operational dates.
31. Health NZ will continue to provide project progress reports monthly as part of the Health Capital Update.