

# Briefing

**Health New Zealand**  
Te Whatu Ora

## Nelson Hospital Redevelopment Scope Change

<b>Due to MO:</b>	14 April 2025	<b>Reference</b>	HNZ00076452
<b>To:</b>	Hon Simeon Brown, Minister of Health		
<b>From:</b>	Jeremy Holman, Chief Infrastructure and Investment Officer, Infrastructure and Investment Group		
<b>Copy to:</b>	N/A		
<b>Security level:</b>	Budget - Sensitive	<b>Priority</b>	Urgent
<b>Consulted</b>	Ministry of Health		

Action sought	Action required by
Agree to a change in scope to Phase One (enabling and design works) for the Nelson Hospital redevelopment.	14 April 2025

Contact for further discussion (if required)			
Name	Position	Phone	1st contact
Blake Lepper	Head of Infrastructure Delivery, Infrastructure and Investment Group	s 9(2)(a)	x
Jeremy Holman	Chief Infrastructure and Investment Officer, Infrastructure and Investment Group		

Appendixes
<b>Appendix 1:</b> New preferred approach and key milestones to deliver the Programme

## Purpose

1. This briefing seeks your approval for a change to the scope of Phase One (enabling and design works) of the Nelson Hospital redevelopment following approval by the Commissioner on 11 February 2025. Phase One has an approved budget of \$73 million.

## Summary

2. In July 2023, Cabinet approved a Programme Business Case (PBC) to redevelop Nelson Hospital at a total cost of \$1.098 billion. This would address a lack of seismic resilience, poor facility conditions, and growing demand [SWC-23-MIN-0088 refers]. Of this total amount, \$73 million was approved for Phase One design and enabling works.
3. The total programme cost was reassessed in November 2024. Following more cost certainty and applying a more appropriate programme and contingency, the reassessed total cost of the Cabinet-approved option was placed at s 9(2)(b)(ii). Subsequent work identified that the overall project could be refined as follows:
  - a) s 9(2)(b)(ii) achieving the project objectives while addressing seismic challenges and meeting health needs. This approach lowers cost and is more aligned to market capacity.
  - b) A reduction in the number of new beds along with removal of the need for expansion of ICU, theatres and radiology facilities was identified through a reassessment of projected demand modelling using Health New Zealand | Te Whatu Ora (Health NZ) national standards. This further reduces the cost of the build.
4. The new preferred approach to the redevelopment of Nelson Hospital means that the cost of the overall hospital redevelopment reduces from s 9(2)(b)(ii) and delivers benefits sooner – in a five to six-year period (compared to 10 years in the previous PBC).
5. This briefing seeks your approval to modify the scope and utilisation of the approved \$73 million for Phase One to reflect the refinement of scope for enabling works. The change of scope was approved by the Health NZ Commissioner on 11 February 2025.<sup>s 9(2)(b)(ii)</sup>

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works outlined in Table 1 would be undertaken within the originally approved \$73 million for Phase One. In addition, the change in scope will not delay the original Phase One timeframe.
6. Cabinet delegated authority to the Minister of Health to agree to such changes if they are not material and can be met within approved funding [SWC-23-MIN-0088 refers]. The changes meet both criteria.


## Recommendations

Health New Zealand | Te Whatu Ora recommends that you:

a)	<b>Note</b> that that a proposed reset of the redevelopment of Nelson Hospital has resulted s 9(2)(b)(ii) with no impact on the delivery timeframe.	<b>Noted</b>
b)	<b>Note</b> that the revised approach for the redevelopment of Nelson Hospital was presented in a Detailed Business Case to Cabinet in April 2025.	<b>Noted</b>
c)	<b>Agree</b> to the revised Phase One (enabling and design works) programme which consists of: <ul style="list-style-type: none"> <li>i. enabling works to prepare the site for construction including improved car parking</li> <li>ii. progression of design for Phase Two works to the early stages of Developed Design</li> <li>iii. establishment and progression of the Workforce / System Transformation and the Digital subprogrammes</li> <li>iv. new site-wide infrastructure, including energy upgrades to ensure seismic resilience</li> <li>v. advance works to address some of the seismic issues and to remove the Earthquake-Prone Building Notices (EPBNs).</li> </ul>	<b>Yes/No</b>

**Hon Simeon Brown,  
Minister of Health**

Date:

  
**Jeremy Holman**  
**Chief Infrastructure and Investment  
Officer**

**Health New Zealand | Te Whatu Ora**

Date: 14 April 2025

## Background

7. In 2020, Nelson City Council issued Earthquake-Prone Building Notices (EPBNs) for four buildings at Nelson Hospital, including two main clinical buildings and two buildings that house critical services. The EPBNs require remediation or vacation of these buildings by 2028. Redevelopment of Nelson Hospital is also needed to meet growing demand of an aging and increasing population.
8. In response, Cabinet approved a Programme Business Case (PBC) in July 2023, which included a new Acute Services Building and the refurbishment of existing buildings, at an estimated programme cost of \$1.098 billion across nine projects [SWC-23-MIN-0088 refers]. Cabinet noted that work be undertaken in multiple phases over a period of approximately 10-years and released \$73 million of funds in the Health Capital Envelope to fund Phase One of the project.
9. The Minister of Health was given delegated authority to approve scope and budget changes for Phase One, where changes are not material and can be met from existing baseline funding.
10. The total programme cost, originally \$1.098 billion, was reassessed in November 2024. Following more cost certainty and applying a more appropriate contingency, the reassessed total cost of the Cabinet-approved option was placed at s 9(2)(b)(ii) .
11. A Budget initiative to fund Phase Two in the redevelopment of Nelson Hospital has been submitted for as part of Budget 2025, supported by a Detailed Business Case (DBC). The DBC was presented to Cabinet in April 2025.

## Revised scope for Phase One

12. A revised approach for the redevelopment of Nelson Hospital has been undertaken in response to the higher reassessed total cost. This revised approach will result in a lower overall cost. Further detail on the new preferred approach and key milestones for the redevelopment are provided in **Appendix 1**.
13. The new preferred approach of the overall hospital redevelopment reduces cost from s 9(2)(b)(ii) and delivers benefits sooner – in a five to six-year period (compared to 10 years in the previous programme business case).
14. The revised project for redevelopment of Nelson Hospital comprises three phases:
  - a) Phase One – Design and enabling works to enable Phase Two and Three
  - b) Phase Two – Inpatient Patient Building and Refurbishment of George Manson Building and the ground floor of Percy Brunette Building.
  - c) Phase Three – seismic remediation works.
15. As noted, Ministerial approval is required to change the scope and utilisation of the approved \$73 million for Phase One. This change for Phase One is reflected in the DBC.
16. Phase One funding of \$73 million to deliver the design and enabling works by July 2026 consists of:
  - a) enabling works to prepare the site for construction, including decanting facilities

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and fit out of existing facilities to support services required to move around the campus, demolition and site clearance, project offices, and improved permanent car parking,

- b) progression of design for Phase Two to early stages of Developed Design based on a revised masterplan and preferred option,
- c) establishment and progression of the Workforce / System Transformation and the Digital subprogramme,
- d) new site-wide infrastructure including energy upgrades to ensure seismic resilience, and
- e) alleviation of seismic risks. Actions to do so were identified as required from Cabinet approval of the PBC.

17. As a result of the revised approach for the redevelopment of Nelson Hospital, some minor scope changes have been identified for your approval. The required changes, costs and timeframe are detailed in **Table 1**. The change of scope remains within the original appropriated funding of \$73 million.

**Table 1: Phase One scope changes**

Original				Proposed			
Scope	Cost	Time		Scope	Cost	Time	
		Start	End			Start	End
Temporary Car Park on Broads Field & Access Road for Wahi Oranga and general civils works e.g. excavation, retaining walls, storm water system	s 9(2)(b)(ii)	Aug 23	Aug 24	Car parking and civils works	s 9(2)(b)(ii)		
Relocation of Existing Users		Nov 23	Oct 24	Relocation of users and fit out of shell spaces and temporary accommodation.			
New Build Early Childhood Centre		Nov 23	Jan 25	No longer required	-	-	-
Site Clearance & New Road		Oct 23	s 9(2)(b)(ii)	Site clearance - No change New road - No longer required	-	Dec 24	s 9(2)(b)(ii)
New site wide infrastructure including energy upgrades to ensure seismic resilience		-	-	Included above	-	-	-

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Original				Proposed			
Scope	Cost	Time		Scope	Cost	Time	
		Start	End			Start	End
Phase Two design works to early stages of Developed Design	s 9(2)(b)(ii)	-	-	Phase Two design works to early stages of Developed Design	s 9(2)(b)(ii)	Feb 25	s 9(2)(b)(ii)
Establishment and progression of the Workforce / System Transformation and the Digital subprogrammes	Inc. above	-	-	No change	-	-	-
-	-	-	-	Additional works seismic strengthening	s 9(2)(b)(ii)	Feb 25	s 9(2)(b)(ii)
-	-	-	-	Project Overheads	s 9(2)(b)(ii)	-	-

18. s 9(2)(f)(iv), s 9(2)(g)(i)

19. The change of scope was approved by the Commissioner on 11 February 2025.  
s 9(2)(b)(ii), s 9(2)(f)(iv)

## Consultation

20. The Ministry of Health was consulted on this paper.

### *Ministry of Health comment*

21. The Ministry of Health (the Ministry) continues to support the revised approach for the overall programme (to be confirmed through the PBC) and we understand that this has resulted in changes to the scope of Project One.

22. However, the Ministry is concerned that there is not sufficient information on the proposed scope changes to understand the rationale for the revised scope, the options considered, and the impact on overall programme budget.

23. To maintain momentum on the programme, the Ministry recommends that you approve the scope change in principle, with the requirement that Health NZ provide you with further advice on:

- a. Investment solutions for carparking. Health NZ have indicated the s 9(2)(b)(ii), s 9(2)(j), should an alternative

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<sup>1</sup> s 9(2)(b)(ii), s 9(2)(f)(iv)

financing solution be secured. We would expect funding not required to be returned to the Crown (or offset against the budget required for Project 2).

- b. The rationale for the scope expansion to include temporary accommodation and fitout of oncology and orthopaedic outpatients (<sup>s 9(2)(b)(ii)</sup>), including what other options were considered.

#### *Health NZ response*

24. Health NZ will be providing further advice on investment solutions for carparking. We believe there is sufficient information regarding the rationale for scope expansion in the PBC, including decanting of services. Options were considered and tested during development of the related master plan and during procurement.

## Financial implications

25. As of 30 November 2024, Phase One has committed costs of <sup>s 9(2)(b)(ii)</sup>. The breakdown of the budget for the remainder of Phase One within the revised scope is shown in **Table 2** below.

**Table 2: Budget Breakdown for Phase One**

Description	<sup>s 9(2)(b)(ii)</sup>
Project Overheads	
Enabling, Demolition and Prefab Building	
Carpark	
Oncology Fitout	
Strengthening Works	
Orthopaedic Outpatients Fitout	
Phase 2 Design costs	
<b>Total</b>	

## Next steps

26. In July 2025, an updated PBC will be submitted to Cabinet for the wider programme of works required for the redevelopment to progress proposed Phase Three of the redevelopment (seismic remediation works).
27. Health NZ will also provide further advice on investment solutions for carparking.

## Appendix 1 – New preferred approach and key milestones to deliver the Programme

28. The new preferred approach to the redevelopment of Nelson Hospital means that the cost of the overall hospital redevelopment reduces from s 9(2)(b)(ii) and delivers benefits sooner – in a five to six-year period (compared to 10 years in the previous programme business case).
29. This reduced cost option was identified through a review of the site master plan. The option reduces the scale of the build while maximising refurbishment of existing facilities. Refurbishing the existing Acute Services Building means a new build is no longer required, therefore reducing the cost and timeframe for the delivery of the overall redevelopment.
30. An update of the modelling of projected demand for clinical services, using a methodology that is now the standard for Health NZ, also determined a lower need than what had informed the original Programme Business Case. Consequently, the scale of the build has been reduced, further reducing projected cost. Where previously we were designing 93 beds, we now only need to build for 41.
31. The new preferred option addresses seismic issues and meets the new standardised demand modelling for the region. The new preferred option comprises:
- A new inpatient building which relocates wards from old buildings and increases the number of beds.
  - Energy Centre upgrades.
  - Refurbishment of existing buildings, shifting old buildings to ambulatory and administration functions.
  - Seismic strengthening of existing acute services buildings.
32. The table below shows the key milestones for the redevelopment.

**Table 3: Key milestones for redevelopment**

Milestone/Activity	Timeframe
<b>Phase One</b>	
<b>Design and enabling works</b>	Mid 2026
Budget bid submitted into the Budget 2025 process for consideration	January 2025
ECI procurement for the wider RHRP programme published on the Government Electronic Tender System (GETS)	Early 2025
Budget 2025 announcements	May 2025
Updated Programme Business Case submitted to Commissioner and then Cabinet for approval	July 2025
Design and Build construction procurement commences	July 2025
Implementation Business Case for Design and Build Contract	Late 2025
Design and Build contract starts	Late 2025
<b>Phase Two construction starts</b>	
<ul style="list-style-type: none"> <li>Civil Works s 9(2)(b)(ii) Early 2026 – End 2029</li> <li>Inpatient Building s 9(2)(b)(ii) Mid 2026 – End 2030</li> </ul>	Early 2026 – end 2031

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Milestone/Activity	Timeframe
<ul style="list-style-type: none"><li>• Energy Centre and critical infrastructure s 9(2)(b)(ii)</li><li>• George Manson and Percy Brunette building refurbishments s 9(2)(b)(ii) Early 2028 – mid 2030</li><li>• Kitchen Refurbishment s 9(2)(b)(ii) Early 2029 – End 2031</li></ul>	
<b>Phase Three</b> seismic remediation works s 9(2)(b)(ii)	Start in 2026 – end 2031