4.4.1 Scope

As outlined in the overview of each workstream, the scope of both the Facilities and Workforce and System Transformation workstreams have been confirmed in the revised PBC. However, there are two options that remain for the scope of the digital workstream.

- Development of digital infrastructure to a nationally standardised level that is ready to enable a fully digital hospital at a later stage
- Development of digital infrastructure to a nationally standardised level so the hospital operates as a fully digital hospital

The optionality and associated costs of the Digital workstream is outlined below.

	MINIMUM BASELINE SCOPE Digital infrastructure which meets minimum Health NZ standards for modern digital technology	STANDARDISED ENABLING SCOPE The digital capability required to support modern in -hospital Models of Care (additional to minimum Baseline scope)	ENHANCED SCOPE Advanced digital technologies for high - efficiency hospital operations and/or models of care (additional to baseline and Standardised Enabling scope)
Wider Digital Solutions Or Hospital digital Solutions	Hospital-in-the-Home Care-in-the-Community	Operation Centre– Hospital Flow Meals Management	Advanced Core Clinicals Check-in Kiosks & Patient Queuing
Extend existing digital solutions Or Priority Solutions Uplift	Extend existing base software solutions Implement Cortex (or similar) Integrate telehealth & virtual care solution(s) Journey boards	Journey Boards	
Facility Solutions		Patient observation system Centralised Fridge Monitoring Digital Signage	Digital Wayfinding In-Patient Engagement Systems Electronic Bed Cards Simulation Room(s)
HTM Support	FF&E/MME integration (existing)	Automated medication dispenses	Pharmacy Robot & Single Dose Packaging
Provisioned Digital Devices	Desktop/VDI/WoWs Printers & Peripherals National standard AV rooms	Replace all devices in developed areas WoWs	
Core Digital Infrastructure *To national standards*	Nurse call (digital) Realtime Location systems National directory and identity services National standard location grade active network ICT compute and storage (dependant on new systems) Unified Communications (voice & messaging) Distributed antennae system - active	Unified Communications (hands free; eg Vocera) Messaging integration engine Additional identity management Professional Integration services	
Passive Digital Infrastructure *To national standards*	Paging and radio antenna systems BMS & engineering systems Security management (incl. duress and CCTV) National standard comms rooms National standard structured cabling and UPS National standard WAN/campus leadins & fibre		

Table 16: Optionality and associated costs for the Digital workstream

9(2)(b)(ii)

- The above table contains cumulative costs, with the baseline scope required in addition to the standardised digitally enabled option.
- This table excludes the costs for passive Digital Infrastructure implemented by the main contractor, captured in construction costs.
- This table excludes the cost to implement the Digital Scope e.g. Digital design, System Integration, Resources and Digital Consultants, captured in professional fees and project overheads.
- 9(2)(b)(ii)

The following table assesses the proposed scope of each option against the critical success factors. The options are incremental not stand alone

Table 17: Assessment of scope of options against CSFs

Critical success factors	Minimum baseline Digital	Standardised enabled digital	Enhanced digital
Strategic fit	Partially meets	Meets	Meets
Business needs	Does not meet	Partially meets	Meets
Value for money	Partially meets	Meets	Meets
Supplier capacity and capability	Partially meets	Partially meets	Partially meets
Achievability	Meets	Partially meets	Partially meets

Critical success factors	Minimum baseline Digital	Standardised enabled digital	Enhanced digital
Affordability	Meets	Meets	Partially meets
Outcome	Dismissed	**Preferred**	Possible
Scoring	Does not meet the assessment criteria	Somewhat meets the assessment criteria	Meets the assessment criteria

Recommended scope: Each scope option to be assessed in cost benefit analysis in following section

4.4.2 Scale

The scale dimension of choice assesses the relative size of the facility required depending on demand modelling. Demand modelling has been undertaken by using a new standardised national methodology developed by Health New Zealand Hospital and Specialist Services. Modelling for the Programme considers an extended horizon for population data to 2043 (it was 2038 in previous modelling). Population data is specially developed by Stats NZ for Health NZ broken down to the specific data required. These models have informed the scenarios used in demand modelling methodology.

The following table assesses the proposed scale of each option against the critical success factors.

Table 18: Assessment of options against CSFs

Critical success factors	Meets 2029 forecast demand	Meets 2034 forecast demand	Meets 2043 forecast demand
Strategic fit	Does not meet	Partially meets	Meets
Business needs	Does not meet	Partially meets	Meets
Value for money	Low	High	Medium
Supplier capacity and capability	High	Medium	Medium
Achievability	High	Medium	Medium
Affordability	High	High	Medium
Outcome	**Dismissed**	**Possible**	**Preferred**

Scale recommendation: Health NZ design the new facilities to meet demand to at least 2043.

The construction schedule indicates the Inpatient Unit can be delivered in 2029. The dimensions of scale consider the options to develop to the exact demand modelling, the medium term or longer term which is the extent of the modelling horizon.

Building on the scale of the 2029 and 2024 modelling would provide an efficient facility with no flexibility to accommodate models of care or population growth. Community based models of care are required as part of the demand modelling methodology and there is a risk that is they are not realised then the facility of this scale with not meet demand.

Campus disruption and flow are a key factor in the business need CSF, which make developing a facility to meet the longer-term need without the need for further stages build or fit out shell spaces desirable.

Value for money is achieved by building today and minimising cost escalation.

4.4.3 Standard

The standard dimension of choice assesses the relative quality of the facility to be delivered by Project Two. The revised PBC set out the principle that any redevelopment must be fit for purpose and flexible for future use. It should reflect the purpose and use of the facilities and services Nelson Hospital delivers and considers a modest standard of design and construction as appropriate for the Programme. Therefore, the dimension of choice outlines the following standards components.

- **Seismic safety level of the facilities** – in order to ascertain the criteria against which a building should be assessed, it is given an Importance Level. These are determined by risk to human life, the environment, economic cost, societal importance and others. Clinical buildings within the health system are all rated either IL3 or IL4. IL4 buildings are those identified as essential to post-disaster recovery. Administration buildings are typically rated IL2.
- **Greenstar rating** – New Zealand Government standard is to build all new critical infrastructure in New Zealand to Greenstar rating 5.
- **Approach to design** – Standardised designs are more efficient than bespoke hospitals. Standardised and systemised designs are easier to design and construct, and can provide greater cost certainty. Standardised, where projects are developed using consistent principles, grids, and room libraries from the Australasian Health Design Guidelines, so they can be assembled efficiently on site and reduce overall costs. Health NZ expects to find savings through standardisations, particularly when it is done from the beginning of the project as opposed to retrospectively.

Māori principles have been incorporated into the Programme's design in the following ways:

- Health NZ has cultural design principles in the IIG Design Guidelines.
- Health NZ has worked with the Iwi Māori Partnerships Board (IMPB) to procure a cultural narrative. The IMPB for Nelson Marlborough is Te Kāhui Hauora o Te Tau Ihu.
- Health NZ engages with the Māori health team specifically on models of care.

Table 19: Assessment of standards of options against CSFs

Standard	Minimum	Functional	Aspirational
Building importance level	Minimal	Meets requirements	Exceeds requirements
Greenstar rating	Under 5	5 (Govt policy)	6
Design	Standardised	Standardised	Bespoke
Critical success factors	**Minimum**	**Functional**	**Aspirational**
Strategic fit	Does not meet	Meets	Partially meets
Business needs	Partially meets	Partially meets	Meets
Value for money	High	High	Low
Supplier capacity and capability	High	High	Medium
Achievability	High	High	Medium
Affordability	High	High	Low
Outcome	**Possible**	**Preferred**	**Dismiss**

Standard recommendation: Health NZ design and build Project 2 to a functional standard.

Meeting the seismic requirement has been reviewed with the Health NZ Trusted Seismic adviser. The relatively simple construction of the single-story acute buildings makes them suitable for improvement to 67% NBS and sufficiently meets the functional requirements.

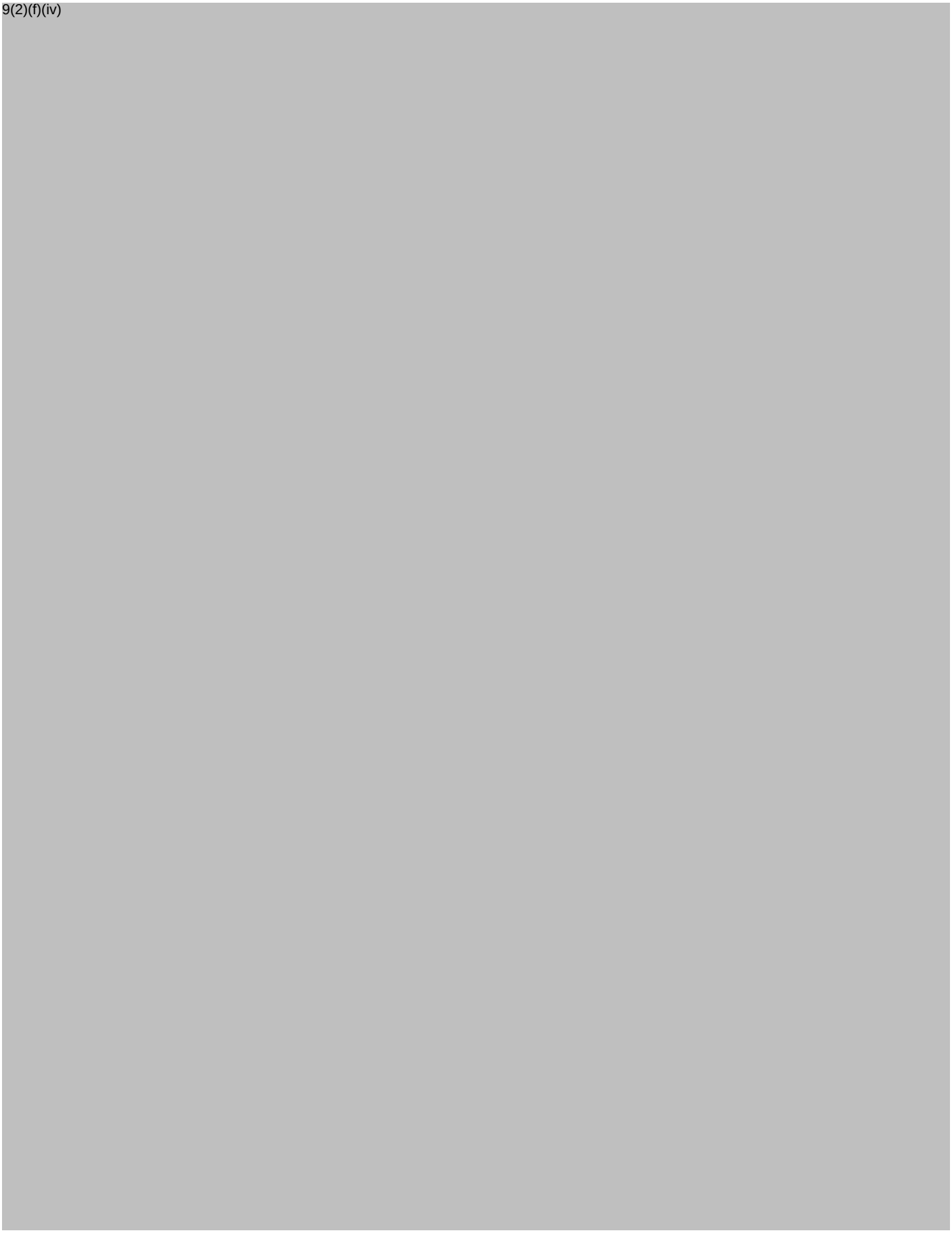
Exceeding this and developing all new facilities to the aspirational level based on seismic alone has been dismissed. The operational continuity element of the facilities will be prioritised as it is this element that provides the ability to continue to use the facilities sin the days and weeks following a significant event.

Meeting the Greenstar rating is current policy and therefore the project proposes to meet this standard.

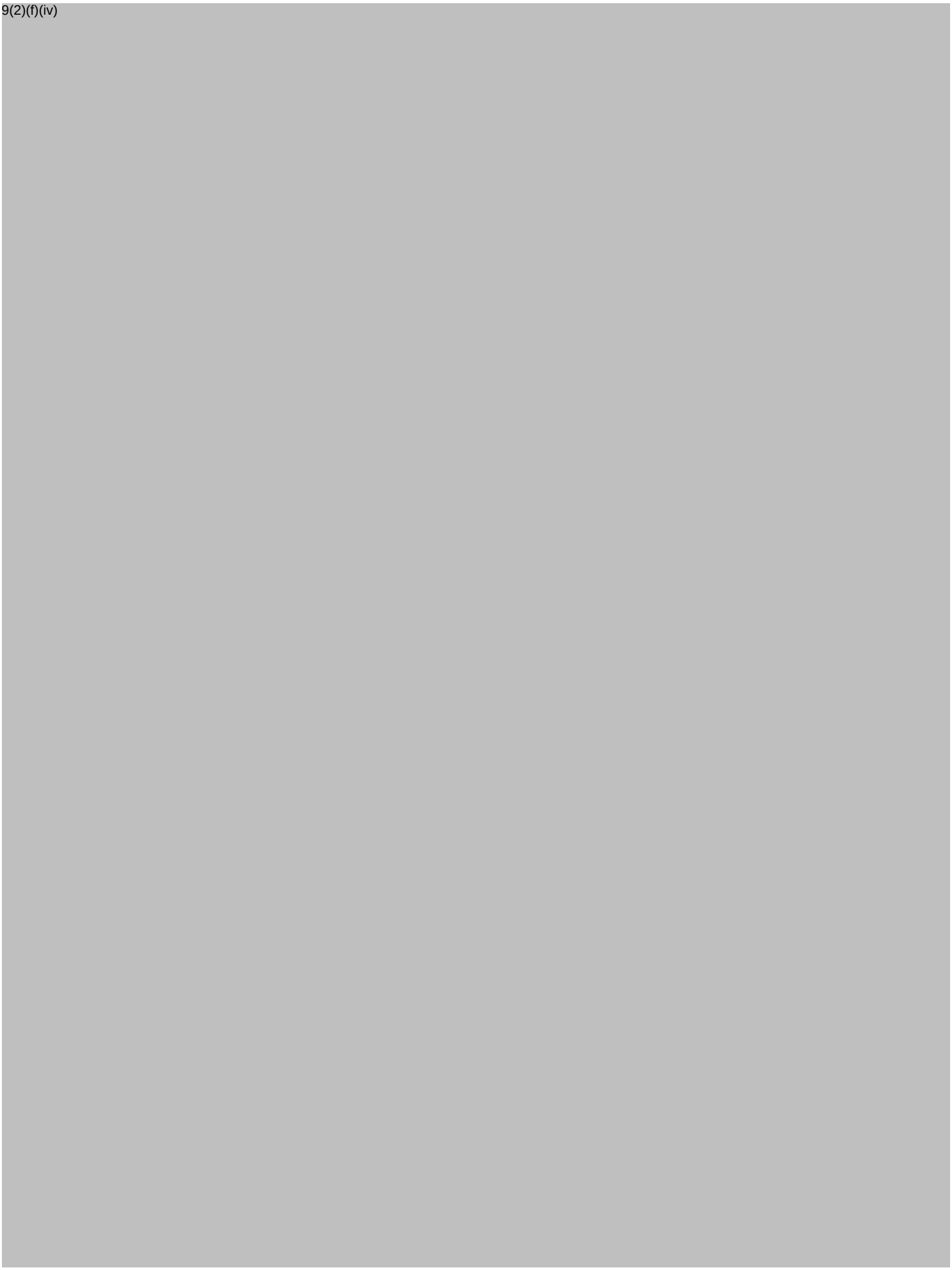
Standardised design, using the AusHFG guidelines and standard components is a key focus for the programme and the IIG major projects team. The benefits of value for money, achievability and affordability all score highly with this standard. Bespoke design has impacted programme and cost on other projects around the country and this is a key lesson learned to implement in this programme.

4.4.4 Location

9(2)(f)(iv)



9(2)(f)(iv)



9(2)(f)(iv)

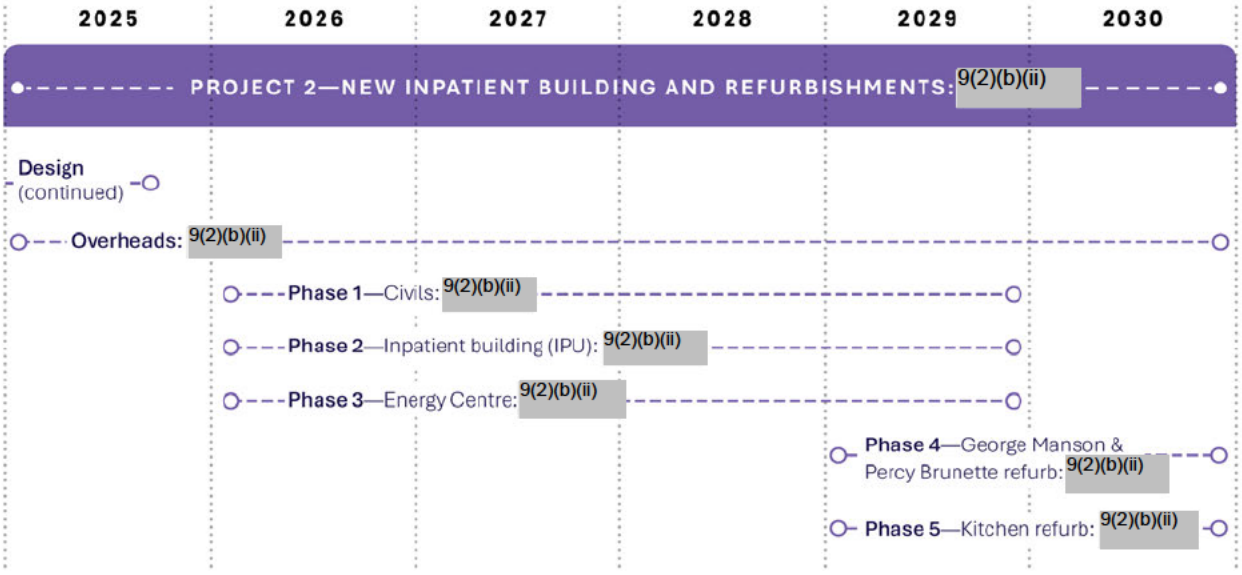
4.4.5 Implementation

The implementation approach for Project Two was confirmed in the revised PBC and has been developed along the following principles:

- **The capacity and capability of both the market and Health New Zealand to deliver health infrastructure projects** – analysis and experience confirms work packages / phases of $200-300 million are the optimal size for delivery of hospital infrastructure projects in New Zealand
- **Realisation of benefits** – the phasing of Project Two has been developed to realise the benefits of redevelopment as early as possible, in this case, two years earlier than the initial PBC.
- **Minimalisation of disruption to ongoing service delivery** – the sequencing of delivering Project Two reflects the principle of minimalizing disruption to ongoing service delivery at across the hospital. The proposed sequencing enables inpatient bed numbers to be maintained while developing the new Inpatient Building.

The following diagram represents the phasing of Project Two. A more detailed project delivery plan is included in the Management Case.

Figure 27: Implementation of phasing for Project Two



9(2)(b)(ii) [redacted]

Implementation recommendation: Health NZ design and build Project Two in a phased approach that minimises disruption and realised benefits as early as possible.

The new preferred option provides contract packages within the optimal $200-300m contract value for a regional setting.

A comprehensive master plan provides the long terms blueprint for the campus enabling packages to be delivered independently of each other when required.

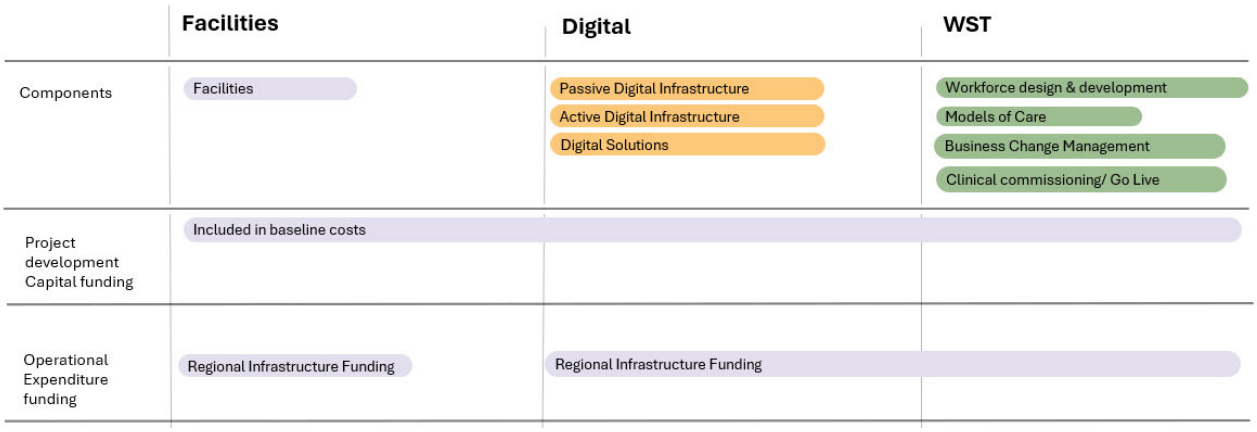
The approach has been reviewed by two main contractors who have provided realistic programmes, market capacity reports and risk assessments that validate the approach.

The phased approach has coupled with clinical priorities enables the benefits to be realised sooner than with a large build and provide flexibility for the future projects to be defined fully when demand is required.

4.4.6 Funding

As outlined in the PBC, funding for the capital costs of Project Two will be provided by The Crown. Digital costs will be funded through the capital costs, signalled in this DBC. Operational Expenditure is funded by Health NZ. Some of these capital costs are included within the baseline facilities costs and some are costed separately as separate components or workstreams. The funding structure for Project Two is outlined below.

Figure 28: Funding structure for Project Two



Funding recommendation: Health NZ funds the capital costs associated with Project Two.

4.5 Economic assessment of the short list options identifies costs, benefits and risks

This section undertakes a more detailed economic analysis of the costs, benefits and risks of the short-list options identified in the Programme/Indicative Business Case. The intent is:

- to determine the preferred option likely to optimise the relative value, and
- to ensure that decision-makers are well-informed about the implications and trade-offs of using economic resources and are provided with a consistent basis for assessing and ranking competing options.

The analysis includes assessment of the intangible benefits and costs, and assessment of risk and uncertainty. It informs the recommendation of a preferred option.

4.5.1 Assessment Methodology

The following stages are undertaken to assess the options and determine a recommended approach for Project Two.

1. Identification of options for cost benefit analysis
2. Assessment of each option against critical success factors
3. Assessment of each option against Nelson Hospital business needs
4. Cost benefit analysis of each option
5. Determine preferred approach

Options definition

Based on the dimensions of choice identified in the section above, the following scope options require further assessment to determine the preferred approach for Project 2. The other dimensions of choice (scale, standard, location, implementation and funding) are included for completeness and are the same for each option.

Table 20: Detailed business case options descriptions, further sub options to preferred Option 5.

Components		5.1 Enhanced digital	5.2 Baseline digital	5.3 Standardised enabling digital
Scope	Facilities	✓	✓	✓
	Baseline digital	✓	✓	✓
	Enhanced / digital ready digital	✓	✗	✓
	Aspirational digital	✓	✗	✗
Scale		Meets demand to 2043		
Standard		IL appropriate for clinical / non-clinical standards, Greenstar 5, standardised facility design		
Location		Nelson Hospital campus as per master plan		
Implementation		Delivered over five phases		
Funding		Capital costs funded by the Crown, operational costs funded by Health NZ Nelson Marlborough		

Options assessment against critical success factors

Each option is assessed against the critical success factors identified for Project 2. The ability for each option to meet the strategic alignment and business needs of the Project are further outlined in Table 21. Table 20 outlines the assessment of the options.

Table 21: Detailed business case Digital options descriptions

Critical success factors	5.1 Enhanced digital,	5.2 Baseline digital	5.3 Standardised enabling digital
Strategic alignment and business need (see Table 20 for detail)	Partially meets	Does not meet	Partially meets
Potential value for money	Medium	Low	High
Supplier capacity and capability	Medium	High	Medium
Potential affordability	High	High	High
Potential achievability	Medium	High	High
CSF Outcome	**Possible**	**Dismissed**	**Possible**

In recognition of the pipeline of major hospital redevelopment projects, as well as the New Dunedin Hospital an opportunity was identified to standardise the technology blueprint for these facilities as well as the delivery approach. Subsequently in October 2022 the National Digital Facilities Framework was approved.

The National Digital Facilities Framework includes the standard level of national digital investment to redevelop major facilities to be "at a minimum digital hospital infrastructure ready", whilst aspiring to open as smart digital hospitals, where feasible and viable to do so.

At three workshops in September and October 2024, stakeholders reaffirmed the requirement for national standardisation to bring all new and major redeveloped facilities to, at minimum, being "digital hospital infrastructure ready". This is important from an equity and forward-looking strategy, especially for regional sites like Nelson that currently have low digital capability and maturity.

The National Digital Facilities Framework ensures that the scope and delivery of digital investment for Nelson Hospital is not only aligned nationally but also to international standards. The framework supports the use of the Healthcare Information and Management Systems Society (HIMSS) digital capability maturity models. The Healthcare Information and Management Systems Society is an international nonprofit organization whose goal is to promote the best use of IT and management systems in the healthcare industry. The Nelson Hospital digital infrastructure is assessed against the HIMSS proprietary Infrastructure Adoption Model (INFRAM), used to assess the technical infrastructure of the current digital infrastructure and ensure investment by this project will align to international best practice.

Option 5.2 includes baseline only investment in digital infrastructure and not the digital capability needed to support patients and staff and efficient delivery of services for now and into the future. This results in this option not meeting the criteria for strategic alignment and business need. Investment in baseline digital capability also reduces the potential value for money as the benefits from investment are limited to current models of care.

The scope of Option 5.3 will standardise and enable Nelson Hospital to be a modern digital capable hospital; but not extend to opening as a fully smart digital hospital. Exclusions from scope include implementation of an EMR and robotics, such as automated pharmaceutical dispensing common to hospitals internationally.

Assessment of each option against Nelson Hospital business needs

- Patient and Staff Flows – extent to which patient and staff flows are optimised by the proximity of core facilities, adjacencies, layout etc.
- Disruption Minimisation – extent to which disruption to site, services and patients is minimised, allowing continuity of service throughout development
- Future Models of Care – ability of facilities to accommodate future changes in models of care
- Future Programme Optionality – optionality to make future phase/timing/scale changes to the programme of work
- Speed of Delivering Benefits – how quickly benefits can be delivered and in accordance with priority of need
- Alignment with Demand Modelling – how closely the option aligns with current demand modelling

Table 22: Options assessment against business needs

Business need	5.1 Enhanced digital	5.2 Baseline digital	5.3 Standard enabling digital
Patient and Staff Flows	High	Medium	Medium
Disruption Minimisation	Medium	High	High
Future Models of Care	High	Low	Medium
Future Programme Optionality	High	High	High
Speed of Delivering Benefits	Medium	Medium	Medium
Alignment with Demand Modelling	High	High	High
Total	Medium	Low	Medium

Commentary: Option 5.3, the standardised enabling digital options is the preferred option, that meets the National digital standards and aligns with other regional hospital such as New Dunedin Hospital.

Table 23: Summary assessment table for all options

		5.1 Enhanced digital	5.2 Baseline digital	5.3 Standardised enabling digital
Benefits	Continuous provision of health services	**5**	**5**	**5**
	Timely access to health services	**3**	**2**	**2**
	Better health outcomes	**3**	**2**	**3**
	Total	**11**	**9**	**10**
Costs	**Total**	**Not estimated**	9(2)(b)(ii)	
Critical success factors				
Strategic alignment and business need (see Table 20 for detail)		Partially meets	Does not meet	Partially meets
Potential value for money		Medium	Low	High
Supplier capacity and capability		Medium	High	Medium
Potential affordability		High	High	High
Potential achievability		Medium	High	High
CSF Outcome		**Possible**	**Dismissed**	**Possible**
Benefits ranking		**3=**	**5=**	**5=**

	5.1 Enhanced digital	5.2 Baseline digital	5.3 Standardised enabling digital
Costs ranking	**3**	**1**	**2**
Outcome			**Preferred**

4.5.2 Preferred sub option

Based on the assessment methodology, the preferred sub option is Option 5.3 Standardised enabling digital.

Dimension of choice		Option 5.1
Scope	Facilities	✓
	Nationally aligned and standardised digital infrastructure and solutions	✓
Scale		Meets demand to 2043
Standard		IL appropriate for clinical / non-clinical standards, Greenstar 5, standardised facility design
Location		Nelson Hospital campus as per master plan
Implementation		Delivered over three main phases/ projects
Funding		9(2)(b)(ii) [redacted]

Option 5.3 was assessed to:

- fully meet all investment objectives, and result in the Programme benefits
- meet or partially meet the business needs identified by clinical and operational stakeholders
- meet or partially meet the critical success factors

4.6 There are risks and uncertainties associated with the preferred option

9(2)(g)(i) [redacted]

9(2)(g)(i) [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Figure 29: Summary of revised programme

5 Commercial Case

The Commercial Case considers the commercial viability of, and procurement approach for, the preferred option for Project Two. The Commercial Case comprises of the following sections:

- the Programme's updated scope of procurement following changes since the 2023 PBC
- lessons learned since the PBC that have informed the Project Two procurement
- the scope and scale of Project Two's procurement
- a high-level summary of Project Two's procurement plan
- contractual arrangements Proposed risk allocation, and
- accountancy treatment and payment mechanisms.

9(2)(g)(i)

Figure 30: Commercial approach for the Programme

Commercial Case summary

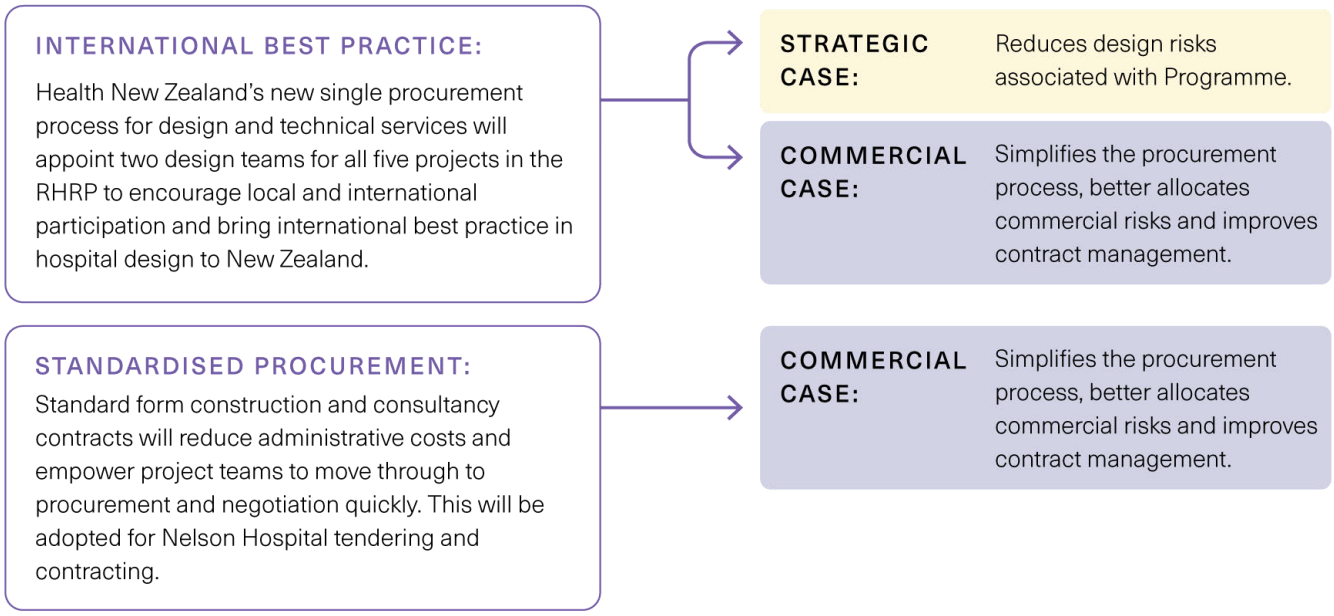
- Health NZ's procurement approach for Project Two builds on key lessons learned since the PBC. These include a need to balance Health NZ's needs with market capacity to deliver facilities; a right-sized delivery model that prioritises refurbishment and optimising cost efficiencies for new builds; and a staged delivery model.
- The procurement of design consultants will be conducted by Health NZ on a national basis for the Regional Hospital Development Programme. Health NZ intends to procure the services of two design consultants for all the regional hospitals within the programme.

9(2)(b)(ii)

5.1 The Programme's procurement strategy has been updated since the PBC

The procurement strategy for Health NZ's Regional Hospital Redevelopment Programme (RHRP) has been reviewed and aligned across all projects since the 2023 PBC. This includes a right-sized, staged approach to development, prioritising based on clinical demand and facility conditions to match regional market capacity. As well as a matured approach to procurement the following changes have been made with respect to the commercial case (as outlined in the Background section of this DBC).

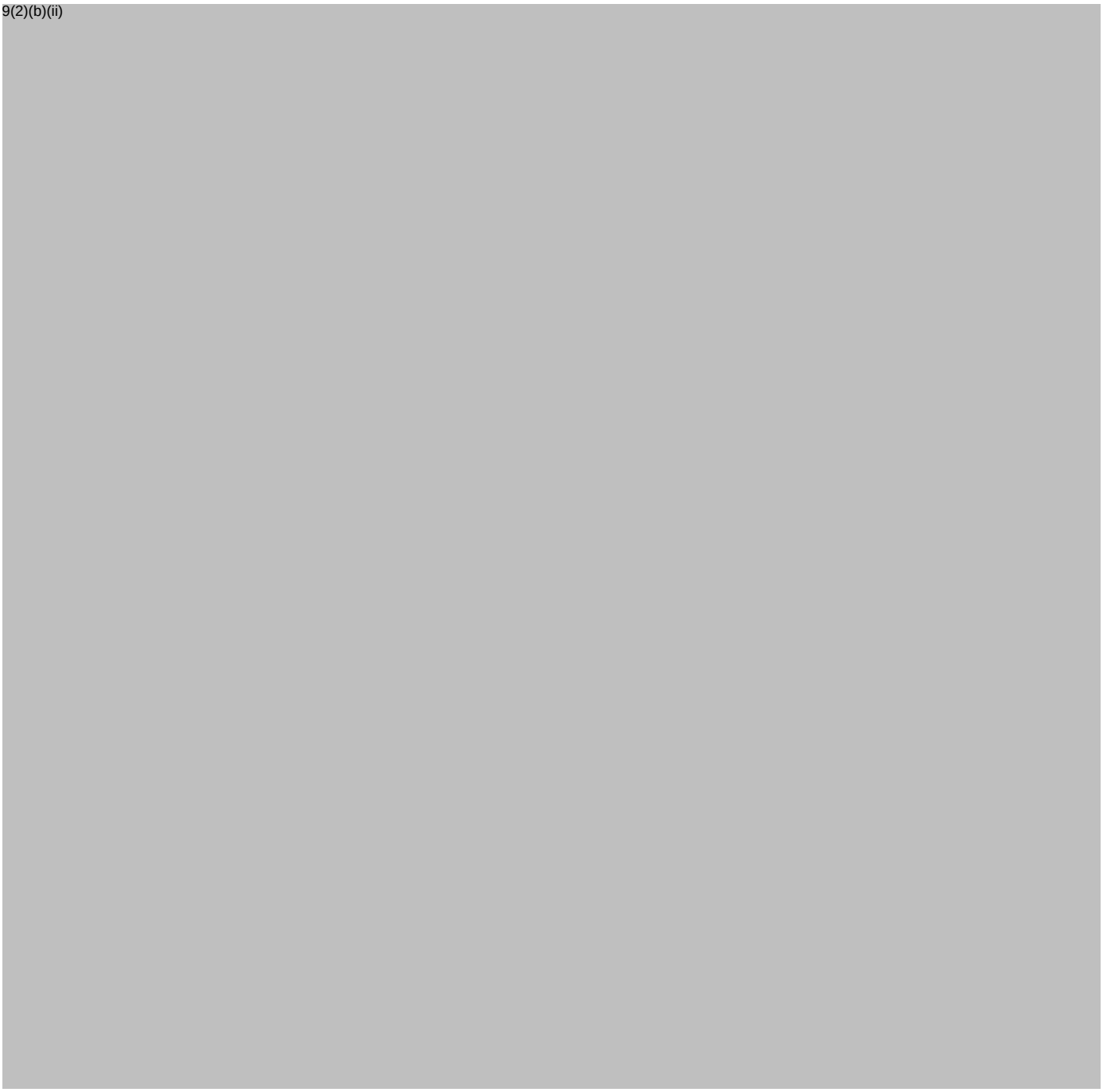
Figure 31: Key changes to the Commercial Case since the 2023 PBC



Health NZ's approach to procurement has been amended to recognise the changing context in the operating environment and the wider market since the PBC in 2023.

9(2)(b)(ii)

9(2)(b)(ii)



5.1.3 The procurement has been influenced by other Health NZ infrastructure projects

Health NZ IIG's Lessons Learned Framework (the Framework) provides a standardised approach to identify, capture and actively learn from lessons from all significant health infrastructure projects, regardless of what project team leads it. There is an opportunity to create efficiencies across various RHRP projects in design and delivery through standardised designs, shared supply chains, and construction methodologies (including opportunities for offsite manufacturing) across projects.

Through the Framework Health NZ has identified three major lessons that have significantly influenced the current procurement approach, which has been right-sized and staged compared to the previous options in the PBC 2023.

1. **Large, long and single programme regional builds are challenging for the market to deliver.** These projects lead to high levels of risk and uncertainty, which can require complex contracting models to mitigate. Projects that are longer than four years have a higher degree of uncertainty, particularly for the cost and programme. Cost planners have advised that $200-$300 million is the optimum contract value for the New Zealand market.
2. **Simple contracting models are preferrable to bespoke or traditional models.** Bespoke contracting models can be less familiar to, or understood by, the New Zealand market for projects of this scale. Similarly, traditional contracting models where the client owns the design risk have been problematic, as design teams presently lack the ability to produce fully coordinated and integrated designs for construction. This had led to delays and cost increases across Health NZ's infrastructure portfolio.
3. **Contractors and subcontractors have invested significantly to provide better technology and improve their competency.** For example, in-house engineers and building information modelling specialists have helped develop and coordinate tier subcontractor designs.

9(2)(b)(ii)

5.1.5 The procurement is also informed by IIG's Infrastructure Broader Outcomes Strategy

Health NZ will continue to use IIG's Infrastructure Broader Outcomes Strategy to deliver the investment objectives in the Strategic Case and meet the requirements of the Government's designated contract areas. Broader Outcomes are the secondary benefits that can be gained from procurement activities.

The Strategy's Matrix was successfully used in Project One as a guide and standardised questions for suppliers, and for evaluation criteria in procurement activities.

The Broader Outcomes Strategy aims to:

- Engage effectively with Māori under Te Tiriti o Waitangi.
- Comply with government priorities and progressive procurement policies.
- Follow the Construction Sector Accord and Market Delivery Strategy recommendations.
- Meet obligations under the Carbon Neutral Government Programme.
- Support the New Zealand Health Facility Design Guidance, focusing on engagement and sustainability.
- Ensure broader outcomes are integrated into project planning and delivery.
- Provide consistent and transparent definitions and approaches, informed by the Construction Sector Accord.

The Strategy helps project and procurement teams understand the broader outcomes required through government legislation and policy, and the strategic objectives and public value expected from health infrastructure projects.

5.2 Project Two procurement

5.2.1 Project Two procurement guidelines and probity

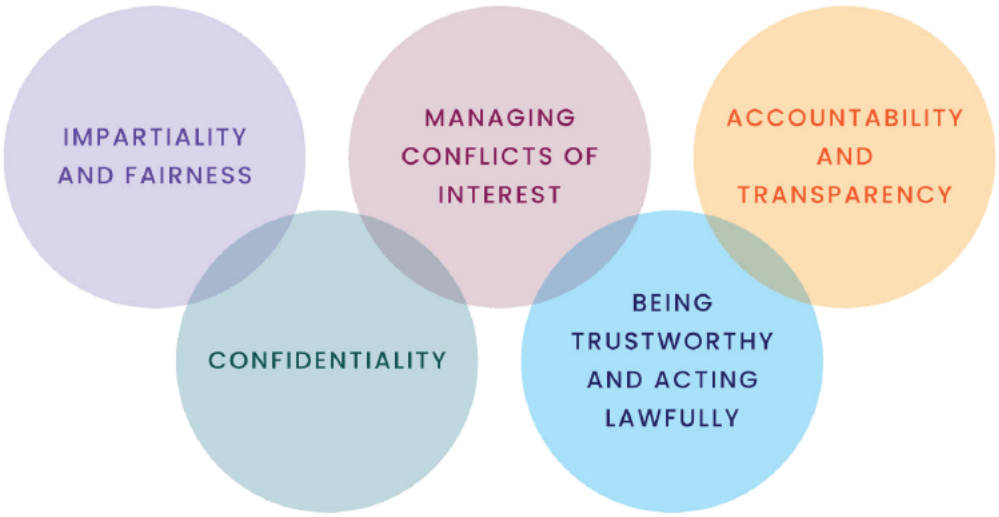
The proposed approach to market complies with the Government Principles of Procurement, the Government Procurement Rules (including consideration of Broader Procurement Outcomes) and Health NZ's procurement policies.

IIG's Probity Framework sets out expectations for how project teams will manage probity and demonstrate public sector values, as shown in Figure 29 below. The Programme has a probity plan in place with external probity auditing provided by McHale Group for all Health NZ projects.

McHale Group have significant experience in the provision of public sector probity assurance expertise on major procurement processes, especially those to do with building construction. They have been involved in delivering major capital works for Health NZ. McHale Group will:

- Review the procurement plan
- Review procurement approach and due diligence
- Review secondary market engagement strategy and process
- Ensure compliance the agreed procurement plan
- Attend evaluation and moderations meetings
- Ensure that financial authority for the procurement is approved before proceeding to tender
- Ensure everyone involved in the process signs a confidentiality agreement and declares any actual, potential or perceived conflict of interest
- Identify and effectively manage all conflicts of interest
- Ensure that all bids are opened at the same time and witnessed
- Ensure treatment of all suppliers equally and fairly
- Provide a report to the SRO confirming the assurance of the procurement activities
- Provide each supplier with a comprehensive debrief at the end of the tender process.

Figure 32: IIG's Probity Framework



As noted in the PBC, a number of potential procurement models were explored to deliver the Projects. Health NZ excluded the use of Public-Private Partnerships (PPPs) because current Government policy precludes these models to deliver health sector projects.[5] The following table outlines the proposed procurement approach for each component of Project Two.

Table 24: Procurement Team structure and roles

Component	Description
SRO	Approval of Procurement strategy, plans and recommendation, depending of value and delegation.
Head of Delivery	Responsible for overarching procurement approach and delivery. Hold delegations for contract execution. Leads market engagement and intelligence to align strategy with market.
Project Director	Responsible for all procurement activities. Lead the development of strategy and plans. Reviews and endorses tender documents. Partakes in procurement evaluations. Endorses evaluation recommendation and executes contracts within delegations. Contract owner.
Procurement advisors	Develops tender documents, procurement and evaluation plans, leads procurement activities on Gets and Procore
IIG Procurement team	Endorse procurement activities and documents. Manage the Gets tender system. Engage with the market and suppliers, providing feedback to project directors. Develop templates and procurement collateral.

[5] New Zealand Cabinet Office. "Investment Management and Asset Performance in the State Services." CO (19) 6, October 2019. https://d7.dpmc.govt.nz/sites/default/files/2019-10/co-19-6-investment-management-and-asset-performance-state-services.pdf

Component	Description
Project Manager	Provides support to procurement advisor with procurement actives. Partakes in evaluations. Manages contract administration, variations and progress claim verification
Legal (internal)	Reviews contracts, advise of health NZ special conditions. Manages contract disputes
9(2)(b)(ii)	
IIG Chief Estimator	Provides internal assurance on tenders and contracts.
Probity Auditor	Provides overarching assurance to the SRO and Project Director. Reviews plans and tender documents. Provides live or desktop reviews of procurement depending on value and risk.
Project Coordinator	Provide procurement and contract administration including change control and variations
IIG Finance Director	Endorses procurement activities and contract execution. Provides governance of financial interfaces between the Health NZ accounting system FPIM and the project financial system, Procore.
Project Finance support	Creates purchase orders for contracts, manages progress claims and payments

9(2)(b)(ii)

9(2)(b)(ii)

9(2)(b)(ii)

9(2)(b)(ii)

Figure 33: Key milestones and indicative procurement timeline

5.3.2 Evaluation method, criteria and weightings

Health NZ has a clear evaluation method, criteria and weightings and will use the Weighted Attribute model to evaluate tenders. Responses will be evaluated using the following qualitative evaluation criteria and weightings, as shown below in Table 26, 9(2)(b)(ii)

Table 26: Procurement evaluation criteria

9(2)(b)(ii)

9(2)(b)(ii)

9(2)(b)(ii)

5.3.4 The key procurement stakeholders will be engaged and informed

Key stakeholders endorsed these requirements using the following approach [i.e. workshop]. These are described in Table 28 and Table 29 below.

Table 28: Internal stakeholders' roles and level of engagement

Role	Description	Stakeholders (Title, name)
Responsible	The person/people responsible for undertaking the procurement	Project Director
Accountable	The person who has authority to make decisions and is accountable for the outcomes.	Senior Response Owner (SRO)
Supportive	The person/people that do the real work.	Project Manager
Consulted	The person/people who must be consulted on to add value or get "buy-in".	IIG Procurement team
Informed	The person/people and group/groups that must be kept informed of key actions and results, but are not involved in decision-making or delivery.	PSG, Project Leads.

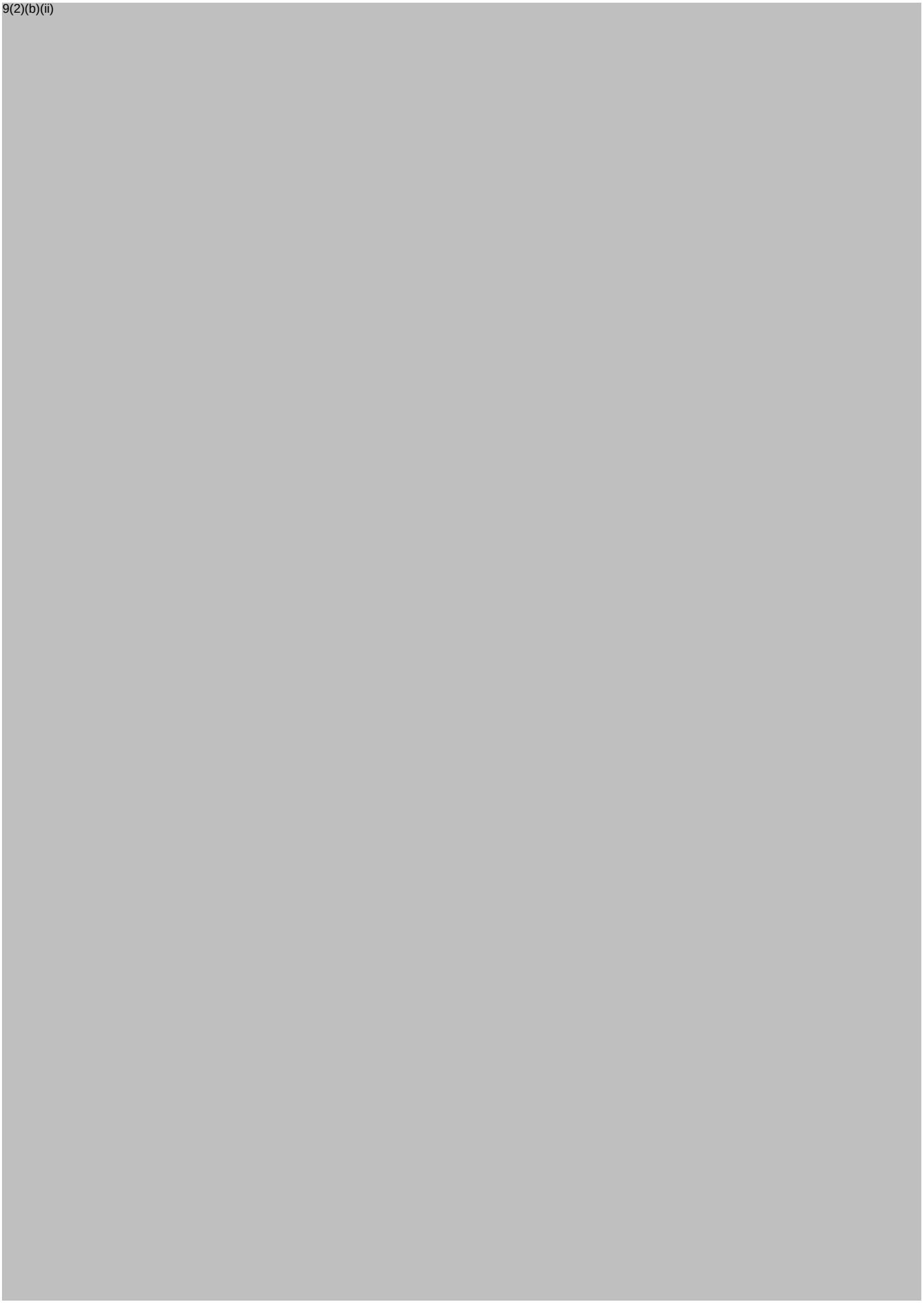
Table 29: External stakeholders' roles and level of engagement

Role	Description	Stakeholders (Title, name)
Supportive	The person/people that do the real work.	Cost consultant, probity auditor, SMEs

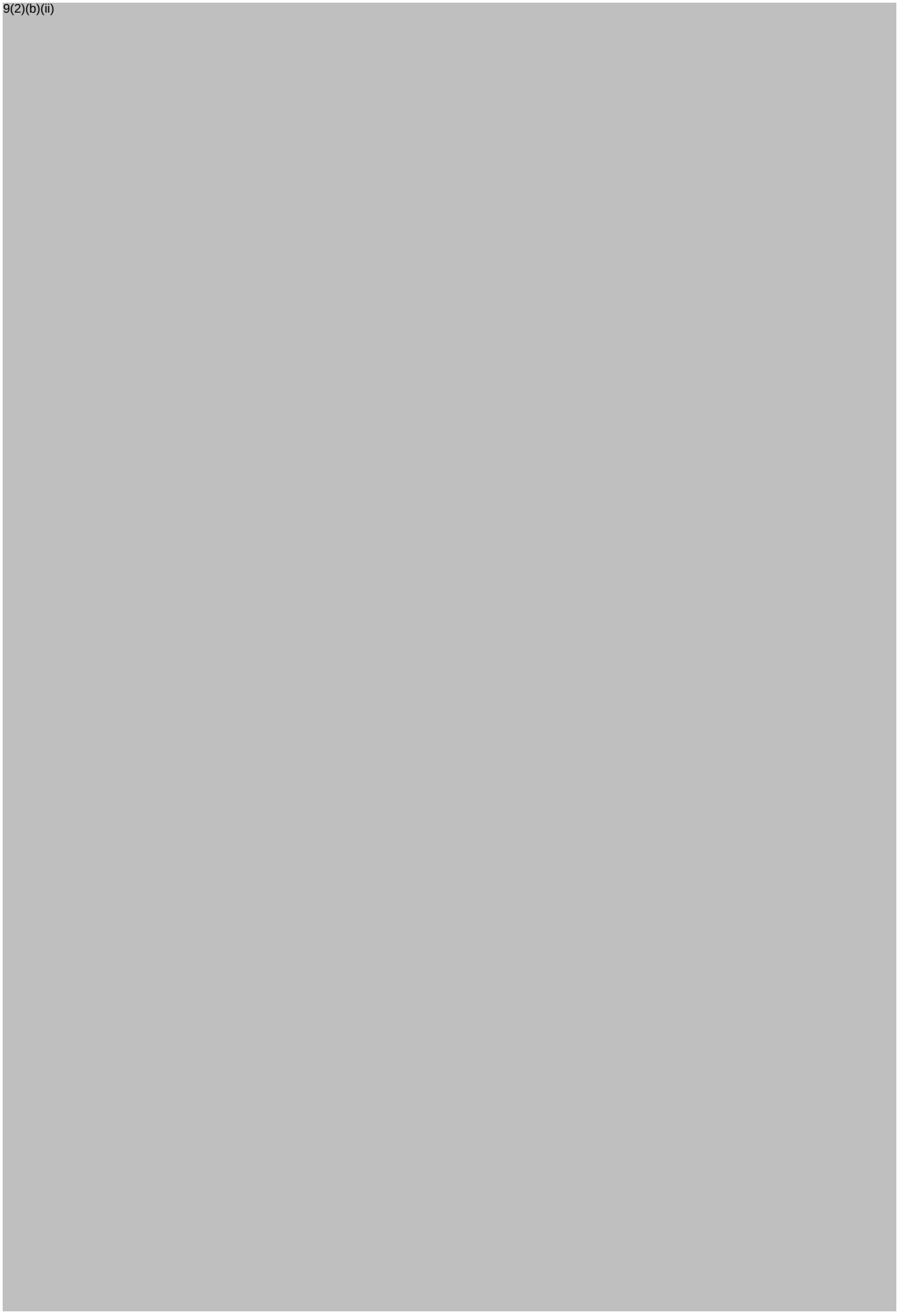
The Management Case outlines the procurement stakeholder engagement and communication plans as part of the overall broader Project plan.

9(2)(b)(ii)

9(2)(b)(ii)



9(2)(b)(ii)



9(2)(b)(ii)

5.5 Accountancy treatment and payment mechanisms

Costs will be capitalised. Progress claims are made monthly and administered in line with the Construction Contracts Act 2002.

The specific accountancy treatment and payment mechanisms will be confirmed in the Implementation Business Case.

6 Financial Case

The Financial Case builds on the content of the PBC to determine the cost and revenue implications of the preferred option and plan the funding requirements, including driving value from existing finances. The costs and benefits appraised in the Financial Case reflect an accountancy-based perspective.

The DBC's updated budget for the Programme based on the preferred option is estimated to cost 9(2)(b)(ii), 9(2)(f)(iv) This total figure includes:

- **$73,000,000** for Project One that was appropriated from the PBC's approval
- 9(2)(b)(ii), 9(2)(f)(iv) for Project Two, the approval of which is the subject of this DBC, and
- 9(2)(b)(ii), 9(2)(f)(iv)

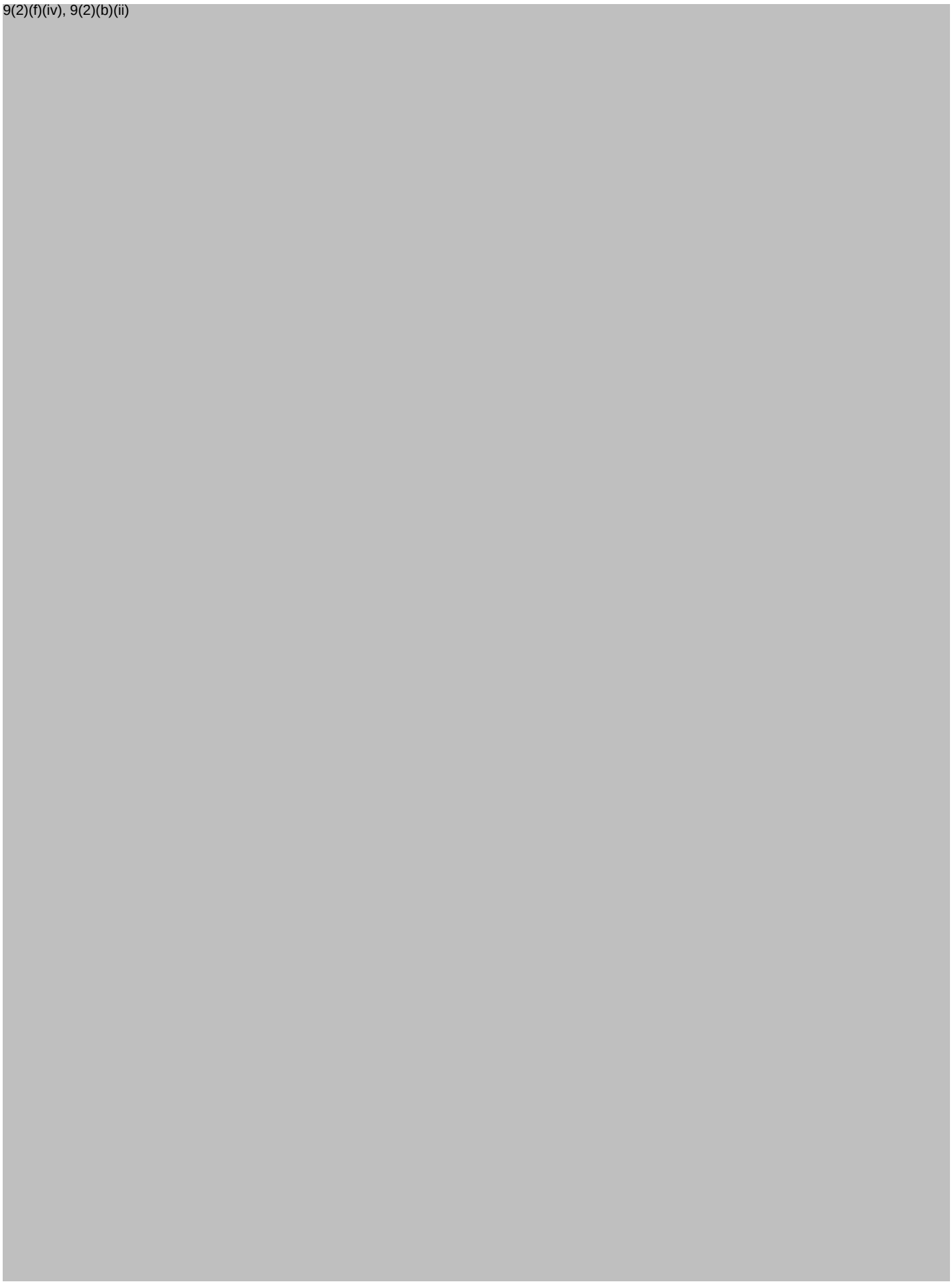
The Financial Case comprises the following sections:

- Financial costing approach and modelling.
- Funding sources.
- Financial cost estimates, including a summary of total capital and operating costs.
- Whole of life calculation

Financial Case summary

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

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



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

Table 31 provides a summary of the cumulative estimated capital costs for Projects One and Two.

9(2)(b)(ii)

Table 32 provides a summary of the estimated operating costs (relative to Business as Usual) for the preferred option.

9(2)(b)(ii)

6.1.2 Financial costing approach

Operational Expenditure has been developed by Health NZ finance with inputs from HSS and Digital.

9(2)(b)(ii)

9(2)(b)(ii)

The costs for the Programme for the Preferred Option is estimated over Projects One and Two

The proposed funding arrangements for the Programme consist of Projects One and Two. The approximate project allocations are listed in Table 33 below. As noted above, final costs for Project Three will be provided in 2025.

9(2)(b)(ii)

9(2)(b)(ii)

6.1.3 Project Two requests new capex funding solely from the Crown

Health NZ proposes that the new funding required for Project Two (9(2)(b)(ii) is provided for by Crown funding. This funding uses the P85 estimate.

We have also identified that decision-makers will need to make further funding decisions on the following funding gaps/areas:

- OpEx for the Workstream and System Transformation and Digital workstreams.
- Any future projects, which is subject to a subsequent business case.

6.2 Health NZ has modelled the impacts of the Project on its financial statements

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

9(2)(b)(ii)


9(2)(b)(ii)

9(2)(b)(ii)

9(2)(b)(ii)

9(2)(b)(ii)

9(2)(b)(ii)

6.2.1 There are some key assumptions that support the financial model

9(2)(b)(ii)

7 Management Case

The Management Case describes the methods and approaches that Health NZ will use to ensure successful delivery of Project Two. It also provides a summary of how project benefits and risks will be managed.

The Management Case comprises the following sections:

- the Programme's management and governance approaches
- Project Two project management and governance approaches using Infrastructure and Investment Group's (IIG) Project Framework Investment and Delivery Cycle
- change management planning, including stakeholder engagement and communications
- benefit management planning
- risk management planning, including risks for the Programme and Project Two, and
- business assurance arrangements.

Management Case summary

- The Programme has clear governance and management structures to support successful delivery of the whole redevelopment. This will be supported by a Project Management Office function. Clinical representation is included at all levels of Project governance and management.
- The Director of the Programme and Project Two has considerable experience in delivering hospital infrastructure projects, including the new acute services building at Christchurch Hospital
- Project Two will be delivered using the IIG Project Investment and Delivery Framework Cycle. This framework is also being used for other redevelopments in the RHRP; this consistent approach will ensure that the redevelopments are delivered in an efficient and effective manner and ensures lessons are learned as projects progress.
- Project Two's Project Management Plan outlines clearly defined roles and responsibilities to ensure focused and effective governance and management. There is a clear project schedule with key milestones.
- A detailed change management and stakeholder engagement plan has been developed that reflects the high profile of the Programme and interest from the community. A key feature of this is communicating frequently with staff and developing a 'no surprises' approach to communicating and reporting with Ministers and Health NZ leadership.
- Health NZ will report back to Cabinet within 12 months and report to Treasury at regular intervals on the actual level of benefits achieved compared with those approved in the DBC. The benefits will be further defined in the revised PBC and the Implementation Business Case.
- Health NZ's IIG team owns the maintenance of registers and plans for risk management across the Programme and Project Two. Risks are continually reviewed in a comprehensive and rigorous way, and are escalated internally or externally as required.

7.1 The Programme Management Plan provides confidence Health NZ can successfully deliver the work

7.1.1 The Programme Management Plan provides the foundation for the Nelson Hospital redevelopment

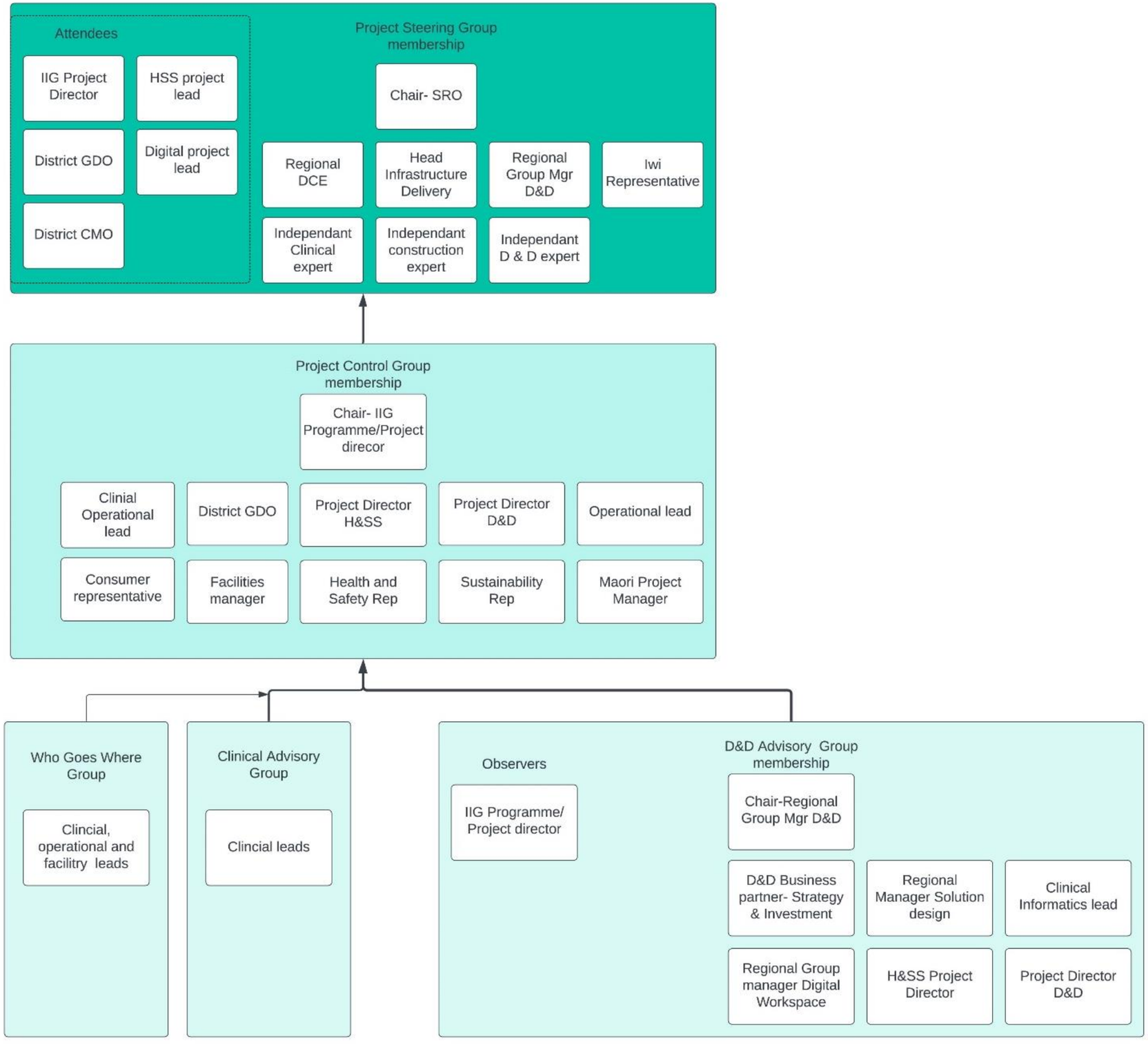
Project Two is they key project of the Nelson Hospital Redevelopment Programme. The delivery of Project One (design, enabling works, and business case development) is described in the PBC agreed in 2023 and is summarised in the Background section of this DBC.

The relevant Programme management arrangements are summarised below.

- The Programme Management Plan is a live document that evolves with the Programme and will be updated to reflect any relevant changes throughout Programme execution. It is regularly reviewed by Project Directors, and any significant changes are submitted to the Programme Steering Group (PSG) for approval.
- The PSG provides strategic governance for the Programme. The PSG provides assurance to the Senior Responsible Officer, who is the Chair, that the programme is on track. The Programme Board also ensures that dependencies, risks, and the budget are well managed, and that benefits management is in place.
- The Programme is led by Health NZ's IIG. IIG is overseen by the Chief Infrastructure and Investment Officer. IIG provides centralised guidance, advisory services, and approvals to the Programme throughout the delivery framework lifecycle.
- The Programme Management Office (PMO) serves as a central source of information and provides focus on aspects such as reporting, control of risks and issues, assurances (internal assurance and arranges for independent assurance, as needed), and change management.
- The Project Director has a programme management role. The Project Director provides overarching support to the Facilities, Workforce and System Transformation (WST) and Digital workstreams and associated leads. They act as a single point of responsibility for all delegations and reporting (detailed below). The Project Director also sources further support to the programme from wider IIG functions, such as design guidance, assurance and procurement.
- The Project Director ensures all risk registers are integrated across the Programme and Projects. These are live documents that are regularly updated and reviewed. Where required, the Project Director escalates risks to the relevant level.
- The Programme's governance structure evaluates the risks. Where required, the Programme team will communicate Programme risks upwards through the governance structure.

The Programme's governance structure is shown in Figure 34 below. Further details about each specific role and function are provided in the Programme Management Plan. This structure will be updated in 2025 to account for the changes in Health NZ structure and roles where applicable.

Figure 34: Programme's governance structure



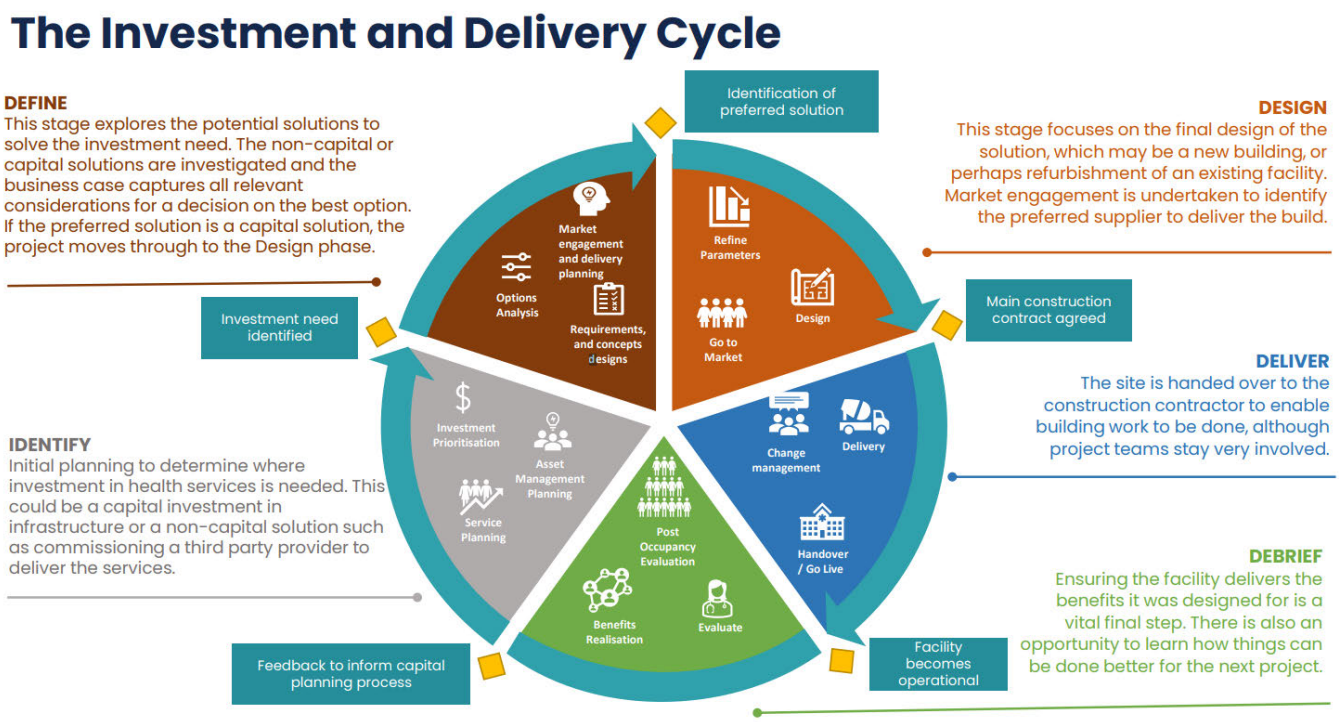
The governance structure is intended to facilitate appropriate tolerances, delegations, and risk escalation. Contingency is released to each layer of governance to enable agile and best-practice delivery. This allows for faster decisions to be made, and helps ensure each layer is focused on the right level of decisions.

7.2 The Project Two project management arrangements build on lessons from other similar projects

The IIG Project Director will lead the delivery and manage Project Two and the wider Programme using the IIG Project Investment and Delivery Framework Cycle. The Framework ensures the successful delivery of major health infrastructure that meets communities' needs. The project methodology is currently being used to support the delivery of the other regional hospital developments, which ensures that Health NZ can deliver these projects in a consistent, effective and efficient manner, while applying lessons learned over time.

This DBC is the culmination of the "define" phase of the Framework.

Figure 35: IIG Project Framework Investment and Delivery Cycle



The Project Director will provide programme reporting to the PSG, including:

- an overarching Programme status report
- three workstream reports (Facilities, WST, Digital), and
- combined reporting and registers for:
  - dependencies (between projects and workstreams)
  - risks
  - issues

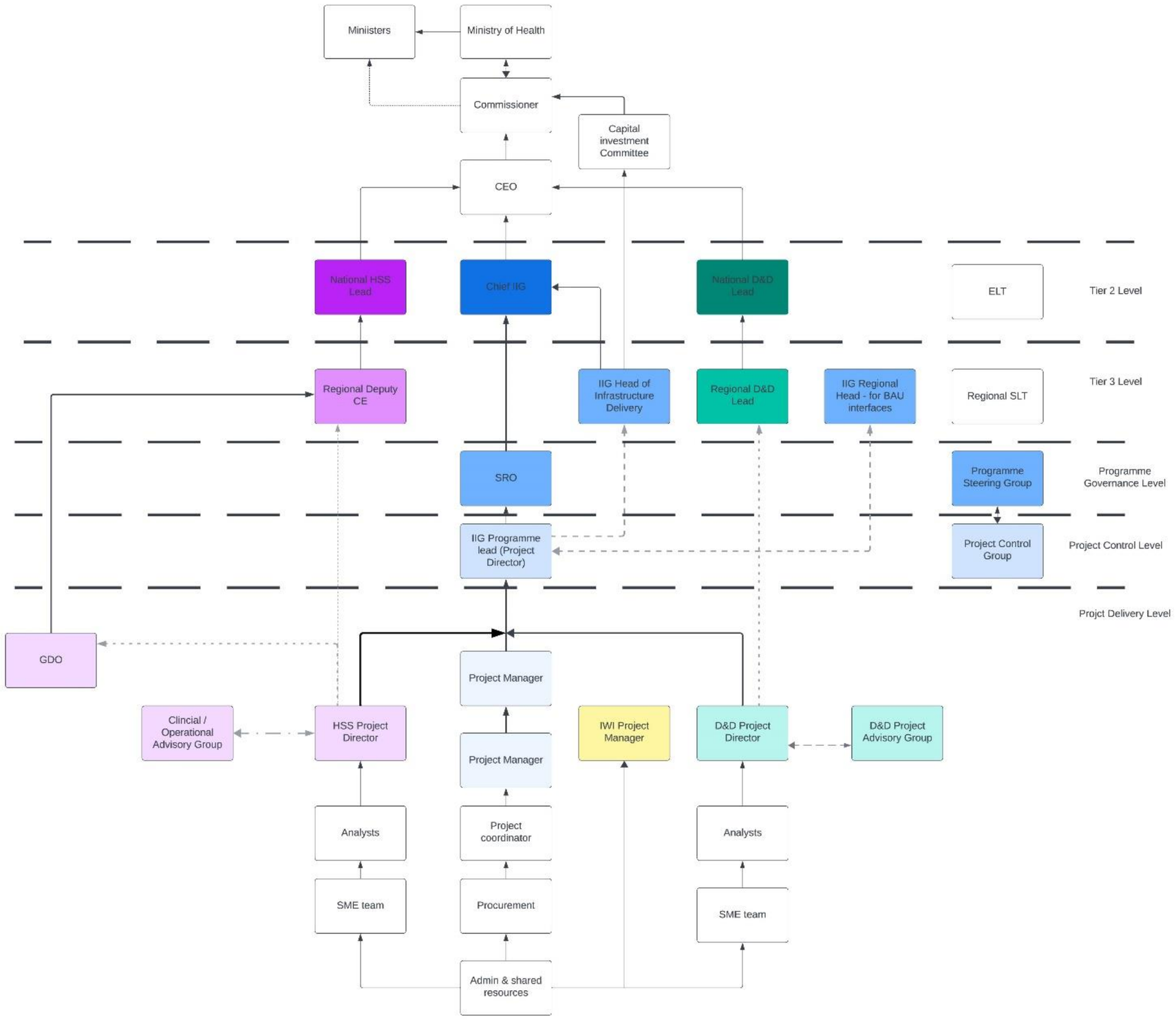
- external factors of influence
- benefits management
- programme
- budget
- scope, and
- change management.

7.2.1 Project Two's Project Management Plan outlines clearly defined roles and responsibilities

The Project Management Plan outlines how Project Two is to be managed, executed and controlled.

Effective execution of Project Two requires focused and effective governance and management, and will be supported by clarity on decision rights and thresholds. Project Two's governance structure is shown in Figure 36 below.

Figure 36: Project Two's governance, roles, and responsibilities – To be reviewed with Commissioners and updated to reflect revised organisational structure confirmed in 2025.



The key project roles and responsibilities for Project Two are summarised in the table below.

Table 38: Project Two's key roles and responsibilities

Role	Responsibility
Senior Responsible Owner (SRO): 9(2)(a)	The SRO is the Chair of the PSG. The SRO represents the Programme to Health NZ's IIG and is the channel for escalation of issues. The SRO reports directly to the Chief Infrastructure and Investment Officer and provides Programme oversight and governance ownership, manages stakeholders, and ensures alignment with wider regional plans and goals, business case objectives, and benefits realisation. The SRO has overall responsibility for ensuring that the Programme delivers to budget and adheres to relevant delegated authorities.
Programme Steering Group (PSG)	The PSG has strategic governance oversight of the Programme, to provide assurance to the SRO that it remains on track to achieve the desired outcomes and benefits. It is responsible for providing timely recommendations of resolution for escalated matters that are formally authorised by the SRO.
Project Control Group (PCG)	The PCG controls project-specific risks, decisions, changes, and dependencies. The PCG is chaired by the IIG Project Director, who provides a holistic view of all projects across the Programme that may be impacted by or dependent on Project Two. Issues and decisions beyond the delegation of the PCG are escalated to the PSG.
Project Director: 9(2)(a)	The Project Director is responsible for establishing appropriate prioritisation and effective programming of the work and Project Two's activities, providing strategic overview on the management of the Programme to budgets, approving adjustments and interfacing with the finance team as required. The Project Director controls and reports on expenditure against budgets, manages the implementation of the Project Management Plan, and reports to management and governance.
Facility Project Lead	The Facility Project Lead is an IIG Senior Project Manager responsible for the day-to-day delivery of the facilities that make up the scope for Project Two.
Facility Project Manager: 9(2)(a)	The Facility Project Manager provides support to the Project Director and Facility Project Lead across the various facility design and construction packages. They provide support to procurement, contract management, consenting, health and safety. They also manage the day-to-day activities on specific work packages, providing a key interface between the contractor and the hospital operational teams.
Project Coordinator: 9(2)(a)	The Project Coordinator provides general project administration support along with secretariat services for governance meetings. The coordinator is also the Procore expert for the project, ensuring that standard operating procedures and protocols are established and maintained, through training and undertaking audits across the platform.
Clinical Transformation Lead: 9(2)(a)	The Clinical Transformation Lead for Project Two provides a critical interface between the Project workstreams, and the clinical teams and health services. They act as "the client", providing the brief to which the facility and digitals teams deliver. The Clinical Transformation Lead manages the clinical user interface, service planning, workforce planning and development, models of care changes, and business change management. Once the facility is developed, they will lead the clinical commissioning and operationalising of the facility. The Clinical Transformation Lead is also the lead for consumer and community network engagement.

Role	Responsibility
Clinical Support: 9(2)(a)	The Clinical Support role provides administrative and logistical support to the Clinical Transformation Lead in arranging user group meetings, and providing secretariat services to clinical working groups.
Digital Project Lead: 9(2)(a)	The Digital workstream is an enabler of clinical service delivery. The Digital Project Lead manages the design brief for digital infrastructure to the facility team to deliver, and for applications that support the functionality of the facility and models of care that the digital workstreams will deliver. The digital budget sits under the overarching project budget and is reported on through the IIG Project Director to the PSG. The Digital workstream has its own Project Control Group and working groups across regional and national projects to manage the deliverables of the workstream.
Digital Support	Digital Support is a business analyst and infrastructure architect that provides specialist support to the digital workstream.
Communications Lead: 9(2)(a)	The Communications Lead is a Senior IIG business partner who provides a critical interface between national and local communications teams. They lead all proactive and reactive communications content, media team liaison, stakeholder communications, and events.

7.2.2 Project Two will be supported by a Project Management Office

Health NZ has two options available to ensure that a Project Management Office (PMO) supports the Programme. These options include using the existing PMO function within IIG, or establishing a specific PMO function for the Programme led by the Project Director while IIG continues to mature and develop its PMO and delivery support office. The PMO will support Project Two, regardless of which delivery model is chosen. The PMO will provide insights, as opposed to just a coordination role.

As noted in the Commercial Case, the procurement approach for the Regional Hospitals Redevelopment Programme (RHRP) and Building Hospitals Better prioritise standardisation of design and build. This approach will be reflected in the work of the PMO and should de-risk the project management process.

In addition, Health NZ expects the PMO function will:

- improve efficiencies through standardised processes and tools to support more efficient project execution
- enhance communications through regular and clear reporting channels
- provide proactive risk identification and mitigations to avoid costly delays and ensure project continuity
- deliver higher quality outcomes through best practice methods, and
- align with the overall strategic focus for Health NZ and its RHRP.

7.2.3 Project Two uses a transition-staged approach

The master plan's brief emphasises the importance of delivering each project independently while maintaining operational continuity and clinical flows. Drawing from experiences at Christchurch and Taranaki campuses where staged new development and refurbishment projects were undertaken under a programme of works, careful logistics planning has been crucial.

7.2.5 Personnel implications should be minimal

Key roles will be employed specifically for the project and are not back filled. Their costs will be capitalised.

Some subject matter experts may be required to provide support throughout the change management and implementation period, particularly in the clinical workstream. Allowances have been made in the resourcing plan and budget for these roles which will be recruited upon approval of the DBC.

7.2.6 There is a clear project schedule and milestones

Project Two is planned to comprise five work packages and is estimated to take approximately five years until Go Live for Phase Two in December 2029.

Figure 37andFigure show the key milestones and dates. The Project Management Plan has further detail, including all project management and control processes that will be used to manage the work.


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

9(2)(b)(ii)

9(2)(b)(ii)

7.3 The change management planning will support successful delivery of the preferred option

The Programme's Business Change Management Plan documents how Health NZ will address the organisational change impacts of this work, including preparing for, managing, and sustaining the change. This plan assists in determining the change actions that will need to occur, to address the identified impacts. It has been specifically updated for this DBC.

The guiding change principle is regular consultation with all who will be affected by the change, along with those who perceive the change may impact on them.

The proposed change will be of medium to high complexity: Health NZ's stakeholders are largely change ready, but the change activities will be significantly disruptive.

7.3.1 The Project Two change management approach recognises the importance of this redevelopment

The Project Change Management Plan also recognises the size and complexity of the Programme and Project Two. It recognises that healthcare infrastructure should integrate the hospital into the broader health care system and community, promoting accessibility and wellbeing. Infrastructure should facilitate quality care delivery including positive patient experience, effectiveness, efficiency, timeliness, safety, equity, and sustainability.

Further detail about the change impact assessment is provided in the Project Two Change Management Plan.

9(2)(g)(i)

9(2)(g)(i)

7.3.2 Planned stakeholder engagement and communications will support Project Two

The purpose of this Strategic Communications and Engagement Plan is to provide guidance on how the Health NZ communications (comms) and engagement team manages internal and external communications and engagement activities for Project Whakatupuranga: Nelson Hospital redevelopment.

Effective engagement will be critical to successfully delivering Project Two while ensuring high-quality healthcare services continue at Nelson Hospital with minimal disruptions. Health NZ's communications model is collaborative and consistent, ensuring regular external messaging with various Communications and Engagement teams in IIG, Health NZ Nelson Marlborough, the Health NZ Media team, and the project team, including clinical and digital interfaces.

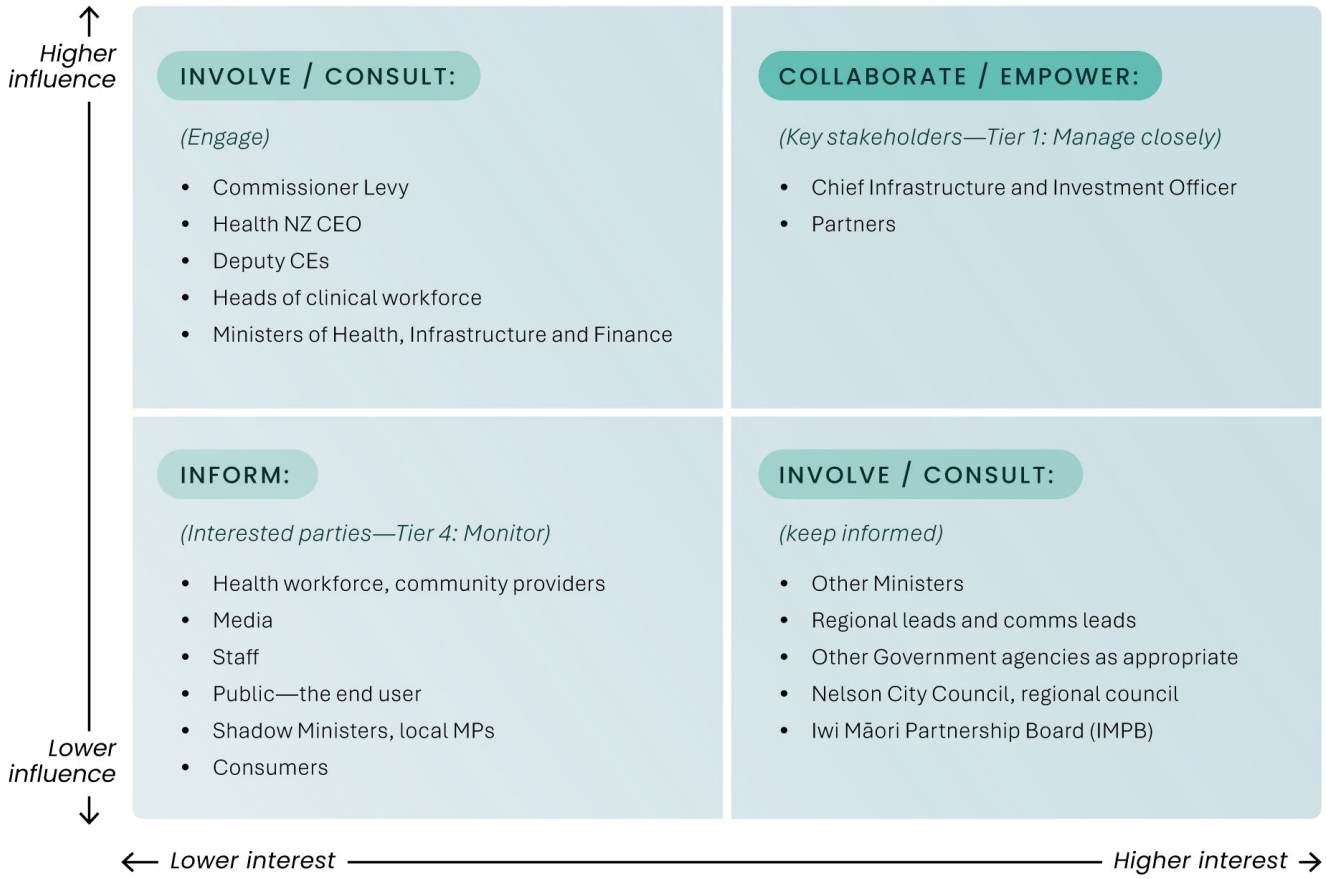
Internal and external stakeholders are key to the success of the Programme and will be involved at different levels in the planning of Project Two. Therefore, it is important to ensure that stakeholders and partners feel engaged, informed, and empowered throughout the change. The Strategic Communications and Engagement Plan includes key communication and engagement risks.

9(2)(g)(i)

The following illustrates the general level of engagement that will be required with stakeholders during Project Two.

Engagement with the IMPB is regular and monthly updates are provided to be shared with the iwi Chairs, therefore this is not referenced in the table.

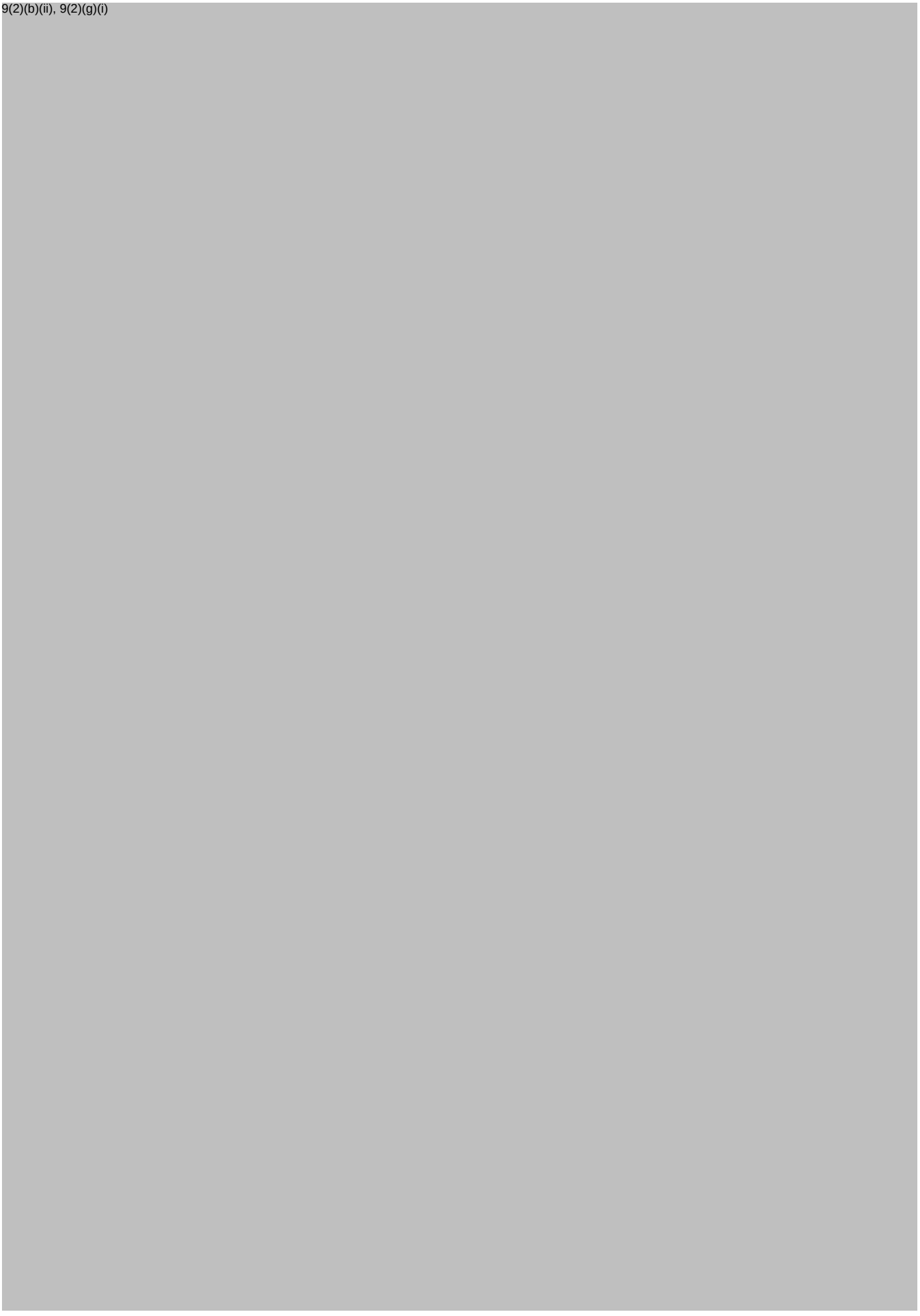
Figure 38: Engagement required with key stakeholders



The following timeline is an indication of specific milestones in the project and anticipated communication activities to engage the community and stakeholders outside the hospital. The plan will be further defined in the Implementation Business Case.

9(2)(b)(ii), 9(2)(g)(i)

9(2)(b)(ii), 9(2)(g)(i)



7.4 Benefits management planning provides a rigorous framework to measure the benefits of Project Two

A comprehensive Benefits Framework was developed for the PBC but will require adapting to reflect the governments new health policy and the five key health targets. The revised PBC to be submitted mid 2025 will include an updated Benefits Framework and the Implementation Business Case will include the application of the Framework for Project Two.

The Benefits Realisation Plan will identify how Health NZ will monitor and realise the expected benefits of Project Two within the context of the wider Programme. The benefits will be reviewed at predetermined milestones throughout the Programme and other unplanned events that may take place. Examples of events that may trigger a review include, but are not limited to:

- Changes in Programme scope, requirements or timeline
- Changes in organisational priorities or operating model
- Budget or resource constraints
- Material issues or risks that have arisen during Programme deliver
- Significant variances between expected and actual benefits
- Legislate or regulatory changes that impact the Programme

As required by Treasury guidelines, Health NZ will report back to Treasury on the management and delivery of the Benefits Realisation Plan at the following milestones:

- Within 12 months after the in-service date on the actual level of benefits achieved compared with those approved in this DBC, and
- At agreed intervals on the actual levels of benefits achieved compared with those identified in this DBC.

7.5 Risk management planning

A comprehensive Risk Framework was developed for the PBC but will require adapting to reflect Health NZ's revised approach to the Programme and Project delivery approach and procurement and commercial arrangements. The revised PBC to be submitted mid 2025 will include an updated Risk Framework and the Implementation Business Case will include the application of the Framework for Project Two.

The processes for dealing with risk management are summarised below.

- The Programme Risk and Issue Management Plan (RIMP) defines and establishes all risk management for the Programme and Projects. This includes the required activities and responsibilities for risk management for the Programme, and is based on the IIG Risk Management Framework. The RIMP is a sub-plan of the Programme Management Plan.
- The IIG delivery team owns the maintenance of registers and plans for risk management across the Programme and Project Two. The team is continually feeding into the risk registers across the Programme and Project Two to ensure its approach to managing and mitigating risks is comprehensive and rigorous. This is led by the Project Director.
- The Project Risk team has a hands-on approach to managing risks. The team meets at least monthly to review the Programme and Project Two risks. This includes the quantitative team who can cost and quantify the risks, and AECOM's Senior Risk Manager.

- In addition, risk reviews will be held monthly. The costs associated with risks will be tracked by the cost planning team.
- Risks are escalated as required to the PSG or higher, as required. Reported risks are highlighted to the Commissioner, and Minister if required, in frequent reporting cycles including a weekly report.

7.5.1 The risk register summarises the ongoing management of risk

The risk register lists all risks identified in this and the PBC. It also documents each risk's status and the actions taken to mitigate them. The risk register will be regularly reviewed and updated monthly.

The PSG reviews all risks monthly, with particular consideration given to the top five risks. The top five Programme and project risks are detailed below at Table .

9(2)(g)(i)

9(2)(g)(i)

7.6 The Project's business assurance arrangements align with its risk profile

7.6.1 Project and business assurance ensures the outcomes and outputs are fit-for-purpose

9(2)(g)(i)

Project Two is subject to ongoing Gateway reviews. A Gateway Two (Delivery strategy) has been undertaken on the Project as part of the development of this DBC. The DBC reflects the review team's advice and feedback. Further reviews will be held before key decision points in the project, as agreed with the Treasury's Gateway Unit.

The Programme Assurance Plan details the quality assurance and quality control processes to ensure the Programme's outputs and outcomes are fit-for-purpose. It also ensures the governance and management aspects of the programme are working appropriately, and the programme stays on target to achieve its objectives. This Assurance Plan will be reviewed at programme milestones or more frequently if required.

7.6.2 Post-project evaluation planning and reviews offer learning opportunities

A post-implementation review is planned for six months after the Go Live date in December 2029.

Project evaluation reviews are planned at annual intervals, with the first review in 2029. The reviews will:

- evaluate the project processes from business case development to delivery
- identify lessons learned to improve future project delivery across the health infrastructure portfolio, and
- confirm the new facilities and services are operating as intended and delivering the services proposed in the DBC.