

# Aide-Mémoire

## Mental Health Infrastructure Deep Dive meeting – 16 April 2024

**Date due to MO:** 9 April 2024 **Action required by:** 16 April 2024

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**Security level:** IN CONFIDENCE **Health Report number:** H2024038283

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**To:** Hon Matt Doocey, Minister for Mental Health

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**Copy to:** Hon Dr Shane Reti, Minister of Health

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

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### Contact for telephone discussion

Name	Position	Telephone
<b>Robyn Shearer</b>	Deputy Director-General, Clinical Community and Mental Health   Te Pou Whakakaha	s 9(2)(a)
<b>John Hazeldine</b>	General Manager, System Elements, Regulation and Monitoring   Te Pou Whakamaru	s 9(2)(a)

# Aide-Mémoire

## Mental Health Infrastructure Deep Dive meeting – 16 April 2024

**Date due:** 11 April 2024

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**To:** Hon Matt Doocey, Minister for Mental Health

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**Security level:** IN CONFIDENCE      **Health Report number:** H2024038283

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**Details of meeting:** Mental Health Infrastructure Deep Dive, 1-2 pm, 16 April 2024.

**Purpose of meeting:** You are meeting with officials from Health New Zealand | Te Whatu Ora (Health NZ) and the Ministry of Health (the Ministry) to discuss the Mental Health Infrastructure Programme (MHIP).

**Comment:**

**Summary**

- This aide-mémoire discloses all relevant information.
- Ministry officials attending the meeting will be Robyn Shearer, Deputy Director Clinical Community and Mental Health, Anne Brebner, Principal Clinical Advisor Mental Health and John Hazeldine, Group Manager System Elements, Regulation & Monitoring.
- This briefing has been shared with Health NZ. It provides a broader context and system view of MHIP projects.
- MHIP comprises 16 projects with approved budgets totalling more than \$950.0 million across all funding sources. The majority of MHIP projects are for the replacement of acute inpatient facilities on hospital campuses.
- There is an opportunity for Health NZ to continue to improve its performance to support better portfolio management and timely delivery of the facility investments.

**Background**

- The MHIP provides national leadership, oversight and targeted interventions across 16 mental health facility projects that have been separately planned, approved and funded.
- The current MHIP projects are primarily replacements of existing facilities and will deliver improved mental health facilities that are safer, therapeutic and fit for purpose.

- Based on Health NZ information available to us, the current MHIP projects will deliver 23 additional resourced beds, including 6 beds from the completed Capital Coast Manawai Individual Secure Units and 10 additional beds planned for the Hutt Valley Mental Health Unit. Three other projects contain fitted-out or shelled space for future capacity when resourced (Counties Manukau, Lakes, MidCentral).

### **Roles and responsibilities**

#### *Health New Zealand and Ministry of Health*

- Health NZ is responsible for the planning and construction of health infrastructure projects and management of the sector's asset portfolio.
- The Ministry's functions include monitoring the performance of Health NZ's Board to deliver health services and infrastructure projects to support achievement of the Government Policy Statement on Health.
- The Ministry's Regulation and Monitoring directorate provides advice to Ministers on the approval of MHIP business cases. This advice is informed by consultation with the Ministry's Clinical, Community and Mental Health directorate on service planning, including service settings and capacity.

#### *Your role and the role of other Ministers in relation to MHIP projects*

- Under current capital settings, the Minister of Health has delegation to prioritise and approve Health Capital Envelope (HCE) funding for both non-mental health and mental health projects (ie, new projects and budget increases on existing approved projects). As such, you do not currently hold delegation to approve mental health capital projects.
- The Minister of Health or Cabinet is also required to approve any investment with a whole of life cost greater than \$25.0 million, irrespective of funding source.
- Historically, the prioritisation and approval functions were performed by the Minister of Health and Minister of Finance jointly. In a separate briefing, we are seeking clarity regarding the respective consultation expectations or new shared decision rights for the Minister of Finance, the Minister for Infrastructure and your role as Minister for Mental Health.

### **Funding sources of MHIP**

- MHIP infrastructure projects have three sources of funding:
  - Health NZ's internal reserves which fund an annual capital budget of about \$800 million. This budget is used for asset renewals, smaller capital projects or budget over-runs (facilities and equipment)

- HCE appropriation, which is an additional pool of capital funding that is subject to discretionary appropriation as part of the annual Budget process, meaning there is no requirement to submit separate Budget bids for large and strategic projects. Usually, the Budget appropriation is for a single year, but the expenditure is phased over multiple years. Funding for prioritised or approved projects is reserved against the HCE. The remaining funding is held as a risk pool, to meet emerging costs. In recent years, new appropriations to the HCE have averaged about \$700 million a year
- a bequest of \$50.0 million from Sir Mark Dunajtschik for the Hutt Valley acute mental health project.
- Capital funding from the Health Infrastructure Programme, which was approved as part of the former government's New Zealand Upgrade Programme, is part of the HCE appropriation and has funded a number of smaller MHIP projects.
- Further information on the funding source for the 16 MHIP projects is shown in Appendix 1.

### **Business Case Process**

- Business cases must comply with the Treasury five case model. There are distinct types of business case, depending on the complexity and funding required. The timelines for development depend on the type of the business case and whether sufficient pre-planning has occurred. Business case development for a large or complex project may take 2+ years.
- For health investments, the key planning inputs required to inform the business case development include:
  - Clinical service plan: a long-term plan for the delivery of health services across a health system to best meet the needs of the population. This is a plan for the implementation of the model of care and can inform infrastructure planning
  - Model of care: describes the design and delivery of a health service across the continuum of care
  - Site Master Planning: the long-term plan to guide future site developments on a hospital campus
  - Asset condition assessments: assessment of facility and supporting infrastructure, to inform remediation
  - Workforce planning for staffing of new facilities.
- Business cases are expected to be supported by an appropriate level of design (usually Concept Design), and financial estimates that make sufficient allowance for contingency and escalation across the life of the project. Further design work occurs following the business case approval.

## **Delivery of MHIP projects to date**

- As for health construction projects more generally, many MHIP projects have experienced delays in delivery and cost increases since their approval. Of 15 MHIP projects with approved business cases, to date 13 have required approval of one or more budget increases or time extensions. Of the 12 projects prioritised between 2019 – 2020, 7 will not be complete until 2025 or later (see Appendix 2).
- The cost increases and delays were caused by factors including planning not being sufficiently advanced at the point of business case approval (for both DHB and Health NZ-led projects), supply chain challenges and market escalation arising from COVID-19, and construction market capacity challenges.
- Of the 13 remaining MHIP projects:
  - 7 are directly managed by Health NZ districts, including the largest and most complex mental health projects on the Waikato, Mason Clinic and Hillmorton campuses, and
  - 6 are directly managed by Health NZ's central MHIP function in the Infrastructure and Investment Group (IIG). Of these, 4 have not yet progressed to delivery, with 3 still in the design phase (Tauranga, West Coast and Hutt Valley) and 1 (Whakatāne) still pre-business case approval.

## **DPMC reviews**

- The MHIP has been the subject of 3 reviews by the Implementation Unit of DPMC.
  - In July 2021, the Mid-Term Review of implementation of the \$1.9 billion Mental Health Package in the 2019 Wellbeing Budget found many of the MHIP projects did not have completion dates set as their business cases were unapproved.
  - In June 2022, the Year Three Stocktake of the Budget 2019 Mental Health and Addiction Package reported it could not provide assurance that MHIP was on track to deliver the 16 projects. The report concluded that the delivery status of the MHIP has not meaningfully improved since the Mid-Term Review, requiring a deep dive review.
  - In October 2022, a Deep Dive report into MHIP informed by a technical review by the New Zealand Infrastructure Commission found no opportunities to accelerate projects that would shorten estimated completion dates, but that there were multiple opportunities to de-risk the projects that would provide a higher possibility that estimated completion dates could be met or momentum maintained for projects without approved completion dates.

## Infrastructure Investment Plan

- Health NZ has produced a first draft of Infrastructure Investment Plan (IIP) and intends to re-submit an updated version to the Ministers of Health and Finance later in the year.

- s 9(2)(f)(iv)

- s 9(2)(f)(iv)

The work on the mental health and addiction service plan will support a service-led view for future iterations, including where non-facility investments should be made to deliver across the continuum of care.

## Opportunities

- The consolidation into Health NZ provides the opportunity to strengthen standardisation for service planning, design, procurement, project and budget management and reporting. Some progress has been demonstrated or signalled by Health NZ, such as the service and campus planning to support future prioritisation and design guidance. Further action is needed to support robust investment planning and the current and future delivery of MHIP projects to budget, time and scope.
- To date, the focus on mental health infrastructure delivery has meant that there has been insufficient emphasis on (or visibility of) wider continuum of care investment needed. For example, both the Waikato and Tauranga investments are delivering capacity that relies on wider service investment, but there is limited visibility of progress of these investments.
- We understand that Health NZ is exploring a service solution for Whakatāne, rather than a full facility replacement previously indicated. A Business Case for decisions is expected to be with Ministers in Quarter 3 of 2024.
- Further improvement is needed for the current portfolio reporting to improve reporting against milestones and risk mitigation.

## Equity

- Mental health infrastructure projects that are led by service planning and development across the mental health care continuum will support equity of access and outcomes.

### **Next steps**

- The Ministry will continue to monitor the delivery of mental health infrastructure projects and provide advice to Ministers on new proposals for mental health infrastructure projects.

**ENDS.**



Robyn Shearer

Deputy-Director General

**Clinical Community and Mental Health**

Date: 11 April 2024

PROACTIVELY RELEASED

## Appendix One: Funding Sources for MHIP projects

1. Of the 16 MHIP projects:
  - a. 3 projects<sup>1</sup> were approved prior to the establishment of MHIP and primarily funded from the Health Capital Envelope (HCE), with some contributions from the internal reserves of former district health boards (DHBs)
  - b. 5 projects<sup>2</sup> were initially prioritised and funded with \$235.0 million allocated from the HCE as part of the \$1.9 billion Mental Health and Addiction Package in Budget 2019; subsequent increases to the projects' budgets were funded primarily from the HCE, with minor contributions of internal reserves in some cases from former DHBs or Health NZ
  - c. 7 projects<sup>3</sup> were initially funded from the Health Infrastructure Package, as part of New Zealand Upgrade Programme as "shovel-ready projects", with subsequent budget increases funded primarily from the HCE. There have also been small contributions from internal reserves of former DHBs or Health NZ for some MHIP projects and a generous donation of \$50 million from Sir Mark Dunajtschik for the Hutt Valley acute inpatient project, and
  - d. 1 project, Hillmorton Redevelopment Tranche 1, was funded from Budgets 2021 and 2022 HCE with a contribution from HNZ internal reserves.

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<sup>1</sup> Counties Manukau Tiaho Mai acute mental health facility, Capital & Coast Manawai forensic ID individual service units, Canterbury Specialist Mental Health Services

<sup>2</sup> Replacement of acute inpatient units in Tairāwhiti, Lakes, MidCentral and Waikato, and Mason Clinic Redevelopment Tranche 1A

<sup>3</sup> Replacement of acute inpatient units in Tairāwhiti, Lakes, MidCentral and Waikato, and Mason Clinic Redevelopment Tranche 1A



## Appendix 2: Budget and Time Changes for MHIP projects

