



133 Molesworth Street
PO Box 5013
Wellington 6140
New Zealand
T+64 4 496 2000

28 November 2024

s 9(2)(a)

Ref: H2024053168

Tēnā koe s 9(2)(a)

Response to your request for official information

Thank you for your request under the Official Information Act 1982 (the Act) to the Ministry of Health – Manatū Hauora (the Ministry) on 7 October 2024 for information regarding the Dunedin hospital. You requested:

“All communications, briefings, advice, aide memoirs, on Dunedin hospital upgrades for the past year”

On 10 October 2024, the Ministry contacted you in accordance with section 18B of the Act as the information initially requested cannot be made available without substantial collation or research. On the same date, you agreed to refine the scope of your request to:

“Advice sent to the Director-General of Health and the Minister of Health regarding Dunedin Hospital with advice being briefings, aide-memoires and memos from October 2023”

Documents identified in scope of your request are itemised in Appendix 1 and copies of the documents are enclosed. Where information is withheld, this is outlined in the Appendix and noted in the document itself. Where information is withheld under section 9 of the Act, I have considered the countervailing public interest in release in making this decision and consider that it does not outweigh the need to withhold at this time.

I trust this information fulfils your request. If you wish to discuss any aspect of your request with us, including this decision, please feel free to contact the OIA Services Team on: oiagr@health.govt.nz.

Under section 28(3) of the Act, you have the right to ask the Ombudsman to review any decisions made under this request. The Ombudsman may be contacted by email at: info@ombudsman.parliament.nz or by calling 0800 802 602.

Please note that this response, with your personal details removed, may be published on the Manatū Hauora website at: www.health.govt.nz/about-ministry/information-releases/responses-official-information-act-requests.

Nāku noa, nā



Simon Medcalf
Deputy Director-General
Regulation and Monitoring | Te Pou Whakamaru

Appendix 1: List of documents for release

#	Date	Document details	Decision on release
1	19 December 2023	Deep dive follow up H2023034323	Refused under section 18(d) of the Act as the documents will soon be made publicly available here: www.tewhatauora.govt.nz/health-services-and-programmes/infrastructure-and-investment/new-dunedin-hospital-whakatuputupu .
2	26 January 2024	Aide-Memoire: Meeting with the Minister of Health on New Dunedin Hospital H2024035224	
3	21 February 2024	Summary of feedback on New Dunedin Hospital Cabinet Paper H2024035884	
4	14 March 2024	Briefing: New Dunedin Hospital assurance H2024037396	
5	5 April 2024	Briefing: Additional assurance for New Dunedin Hospital H2024038497	
6	13 June 2024	Weekly Report to the Minister of Health item: Next steps following review of New Dunedin Hospital	Excerpt provided in accordance with section 16(1)(e) of the Act. Some information withheld under section 9(2)(a) of the Act.
7	25 July 2024	Briefing: Establishment of the Ministry Advisory Committee for New Dunedin Hospital H2024039193	Refused under section 18(d) of the Act as the documents will soon be made publicly available here: www.tewhatauora.govt.nz/health-services-and-programmes/infrastructure-and-investment/new-dunedin-hospital-whakatuputupu .
8	17 September 2024	Briefing for decision New Dunedin Hospital Lessons Learned	
9	23 September 2024	Memo: Update on New Dunedin Hospital	Some information withheld under the following sections of the Act: <ul style="list-style-type: none"> • 9(2)(g)(i) maintain the effective conduct of public affairs through the free and frank expression of opinions between employees of any public service agency; and • 9(2)(j) enable a Minister of the Crown or any public service agency to carry on, without prejudice or disadvantage, negotiations.

Next steps following review of New Dunedin Hospital

On 6 June 2024 you received the independent review of the New Dunedin Hospital (NDH) project (the review). The Review was facilitated by Te Waihanga - The Infrastructure Commission, and was led by Robert Rust, an external independent expert.

The review assesses:

- the confidence in costs and feasibility of the NDH programme
- the preparedness of Health NZ to execute the construction contract for the inpatient building
- recommendations to improve the NDH project.

The review notes that there will be more cost certainty by August 2024, once Health NZ has obtained a quantity surveyor estimate on the finalised developed design, a Quantitative Risk Assessment has been undertaken, and the proposed contractor has submitted a target total cost estimate.

Health NZ is identifying measures to address the issues identified in the review. You and the Infrastructure and Investment Ministers (Infrastructure Ministers) will be advised of these measures, after the Health NZ Board agrees to them later in June 2024.

Cabinet previously authorised you and the Infrastructure Ministers to appoint a Specialist Ministerial Advisor to the NDH project to provide additional assurance. You and the Infrastructure Ministers may wish to consider whether Health NZ's response to the Review's recommendations and subsequent monitoring of those next steps, provides sufficient assurance to remove the need for the Specialist Ministerial Advisor.

Next steps

Depending on the assurance provided by Health NZ's proposed response to the Review, you may wish to discuss with your colleagues whether the Specialist Ministerial Advisor is required.

Deputy Director-General	Simon Medcalf, Deputy Director General, Regulation and Monitoring – Te Pou Whakamaru, s 9(2)(a)
--------------------------------	--

Released under the Official Information Act 1982

Memo

Update on New Dunedin Hospital

Date:	23 September 2024
Security level:	IN CONFIDENCE
To:	Dr Diana Sarfati, Director-General of Health
Copy to:	Simon Medcalf, Deputy Director-General, Regulation and Monitoring
From:	Jo Strachan-Hope, Manager, Capital and Infrastructure Monitoring
For your:	Information

Purpose of report

1. This memo responds to your request for an update on the New Dunedin Hospital (NDH) project.

Project Scope

2. The current scope of the NDH project will deliver a new outpatient and inpatient building.
 - a. The outpatient building is under construction and is scheduled to be delivered in October 2026.
 - b. The inpatient building is estimated to begin construction in 2025.

Project History

3. In April 2021, Cabinet approved the Detailed Business Case for the NDH project. This had a total cost of \$1.47 billion.
4. In March 2023, a cost risk of \$200m was identified. A cost saving exercise was performed which resulted in a reduction of scope reducing the additional funding required to \$110 million. This caused the total cost to increase to \$1.58 billion.
5. In March 2024, Cabinet approved an additional \$290 million to meet another cost pressure. This brought the total cost to \$1.87 billion. Cabinet also agreed to additional assurance activities which are detailed in Appendix Two.
6. In December 2023, Health NZ changed from the usual fixed price lump sum model to a Managing Contractor model for the delivery of the inpatient building.
7. The Managing Contractor model requires Health NZ and CPB (the contractor for the project) to agree to a Total Outrun Cost (TOC).
8. There will be a 2 TOCs.

- a. TOC 1 – for enablement works. This has already been agreed to and is s 9(2)(j) and work has begun.
 - b. TOC 2 – for the remainder of the construction costs. This is currently under negotiation.
9. Once the TOC and all contingencies have been exhausted, Health NZ and CPB will share all future cost increases s 9(2)(i). Conversely, any cost savings if the project is delivered below the TOC are also shared by Health NZ and the contractor s 9(2)(i).
 10. The Managing Contractor model intends to mitigate cost blow outs and encourage the contractor to make savings where possible once the value of the TOC has been agreed to. s 9(2)(g)(i)
 11. The contract was originally planned to be signed in June 2024, prior to Health NZ confirming TOC 2 with CPB. This was delayed allowing for greater certainty of project cost.
 12. In July 2024, Health NZ advised further costs risks based on a quantity surveyor estimate and the receipt of the initial TOC 2. These cost risks exceeded the budget by s 9(2)(i) and s 9(2)(i) respectively. Health NZ has been working with CPB to reduce the TOC 2. The final TOC 2 has been received by Health NZ and is now being reviewed.
 13. The Minister asked Health NZ to explore options for the delivery of the project within the existing budget.

Current Situation

14. Health NZ has briefed the Minister on what they consider are two viable pathways forward to deliver the project within the approved budget:
 - a. Revision of the existing design on the current site
 - b. Staged development on the existing campus.
15. The currently approved option was informed by the Strategic Services Plan and Detailed Services Plan. These plans were reviewed by Health NZ and deemed valid. It is not yet clear what capacity the proposed options would deliver.

Revision of the existing design on the current site

16. This option is like the previous cost saving exercise in March 2023, and requires the evaluation of space within the current overall Inpatients Building design.
17. This option would maximise the use of existing design work and could allow site works to continue while redesign occurs. This does, however, limit opportunities for value management as all savings need to be found from a reduction of clinical space or a reduction in future capacity (the building has been designed to accommodate anticipated growth to 2043).
18. As a result, more services may need to be reduced to achieve the required savings and the resulting design may not be operationally optimised.

Staged development on the existing campus

19. This option is considered the most promising option by HNZ. It maximises the use of the existing campus, refurbishing the existing Ward Tower and developing a new Clinical

Service Building on an adjacent site s 9(2)(j)

20. We are unaware of how the Outpatient building, which is on a different site, would link to the existing ward tower and new Clinical Services Building.
21. This option was originally discounted in 2017 as uneconomic and because:
 - a. Refurbishment of the ward tower would not result in a modern, flexible, fit for purpose health facility.
 - b. Continuing to operate a live hospital during construction is clinically disruptive and time-consuming process.
 - c. The Ward Block has many issues including spalling, latent asbestos and a range of maintenance issues, which require substantial investment to maintain.

Ministry comment

Approach

22. We understand why Health NZ is exploring options to remain within budget. However, we consider it is critical that any solution achieves the clinical outcomes and benefits expected from investment. We also note that time taken to explore options may further increase costs (and thus require further scope changes). We expect Health NZ to continue to refine the costs for the status quo option so that there is transparency of how this option compares against the two new options.

Assurance

23. The Ministry attends weekly meetings with Health NZ, the Treasury and the Infrastructure Commission to discuss the NDH project. Since August 2024, we have been invited to the Project Steering Group meetings.
24. Evan Davies, the Chair of the Ministerial Advisory Committee met with Minister Reti on Monday 23 September 2024 to discuss the New Dunedin Hospital project. We are unaware of the agenda for this meeting. Mr Davies is also invited to attend the Steering Group meetings.

Next steps

25. Health NZ will provide updates to Ministers as further information becomes available.
26. Health NZ are expected to provide an Implementation Business Case in late 2024 and have indicated they will use this to seek final agreement on the preferred option for the inpatient building.
27. The Ministry will provide advice on the Health NZ reports to the Minister of Health. Where possible, we will engage with the Treasury and the Infrastructure Commission to ensure we have a shared understanding of the issues.

Recommendations

It is recommended that you:

1.	note	HNZ have briefed the Minister on 2 new options for the New Dunedin Hospital Project	Yes/No
----	------	---	--------

Signature _____

Jo Strachan-Hope

Manager, Capital and Infrastructure Monitoring

Date: 23/9/2024

Signature _____

Dr Diana Sarfati

Director-General of Health

Date:

Appendix One: Detailed History of New Dunedin Hospital Project

Date	Description	Total Cost
April 2021	Cabinet approved DBC	\$1.47 billion
March 2022	\$200m cost risk identified	
December 2022	HNZ completed cost saving exercise, reduced scope by \$90 million, budget went up by \$110 million. This resulted in shelled bed space, removed 2 operating theatres, shelled space for 1 MRI, PET shelled, reduction of pathology, removed a link bridge among other changes.	\$1.58 billion

December 2023	<p>HNZ change from fixed price lump sum model to Managing Contractor model.</p> <p>This requires HNZ and CPB (preferred contractor) to agree to a Total Outrun Cost (TOC). There will be a 2 TOCs.</p> <ul style="list-style-type: none"> • TOC 1 – for enablement works, has already been agreed to and is s 9(2)(j) • TOC 2 – for the remainder of the construction costs and is still being negotiated. • Once the total TOC2 and the contingency have been exhausted, HNZ and CPB will share all cost increases s 9(2)(j) 	
December 2023	HNZ request additional funding of \$170 million, but that \$292 million is required to deliver the project.	
March 2024	<p>Cabinet agreed to release funding of \$290 million to meet cost pressure.</p> <p>Cabinet also agreed:</p> <ul style="list-style-type: none"> • Approval of Implementation BC was required before HNZ could sign contract. • Additional assurance activities, including: <ul style="list-style-type: none"> ○ HNZ to enhance their monthly reporting. ○ a one-off investment readiness review led by an external advisor. ○ appointment of a Ministerial Advisory Committee. ○ lessons learned review of the project so far. 	\$1.87 billion
May 2024	HNZ signal Implementation BC cannot be completed before contract signing and want to sign prior to approval.	
May 2024	<p>Investment readiness review was completed.</p> <p>Provided 14 recommendations to improve project delivery, including consideration should be given to delaying contract execution for three months to obtain greater cost certainty. Some of these recommendations have been enacted.</p>	
July 2024	HNZ delay signing of contract.	
August 2024	Ministerial Advisory Committee Chair was appointed – Evan Davies.	
August 2024	HNZ signal that QS estimate and TOC are higher than anticipated and above the current budget.	
August 2024	Minister asked HNZ to explore options for the project to meet the existing budget.	
September 2024	Lessons learned terms of reference agreed to by HNZ and MoH and sent to Minister for approval.	
September 2024	<p>HNZ brief Minister of two options going forward.</p> <ol style="list-style-type: none"> 1. Revision of the existing design on the current site 2. Staged development on the existing campus 	

Appendix Two: Additional Assurance Activities

1. As part of Cabinet agreeing to release \$290 million in March 2023, Cabinet also agreed approval of an Implementation Business Case was required before Health NZ could sign the contract for TOC 2 with the contractor.
2. Additional assurance activities were also agreed to, including:
 - a. Health NZ enhancing their monthly reporting,
 - b. a one-off investment readiness review led by Te Waihanga,
 - c. appointment of a Ministerial Advisory Committee, led by the Ministry, and
 - d. lessons learned review of the project so far, led jointly by the Ministry and Health NZ.

Readiness Review

3. The Investment readiness review was completed in June 2024. The review provided 14 recommendations to improve project delivery, some of these recommendations have been enacted.
4. The review recommended HNZ delay contract signing, whilst maintaining project momentum through the continuation of early works and procurement. This would allow HNZ and Ministers to obtain greater certainty of project cost prior to contract signing.

Ministerial Advisory Committee

5. The Ministerial Advisory Committee was appointed in August 2024. Evan Davies is the chair and sole member.

Lessons Learned

6. The Terms of Reference for the Lessons learned have been agreed to by Health NZ and the Ministry. These were also shared with the Commissioner of Health NZ. The TOR is currently with the Minister for approval.
7. This review was noted by Cabinet to be led by an independent expert, HNZ and the Ministry have agreed this can be run by as a joint workshop led by an internal independent facilitator.