

Office of the Minister of Health

Chair, Government Administration and Expenditure Review Committee

New Dunedin Hospital – Final Detailed Business Case

Proposal

- 1 Further to Cabinet’s in-principle approval of the Detailed Business Case for the New Dunedin Hospital Project on 24 August 2020 [CAB-20-MIN-0413], I seek Cabinet’s approval of the Final Detailed Business Case for the New Dunedin Hospital Project.
- 2 In August 2020 Cabinet noted that, ahead of completion of concept design, officials expected the total budget for the New Dunedin Hospital Project to exceed \$1.4 billion. The Minister of Finance and I have now considered the Final Detailed Business Case confirming an increase in the budget from \$1.4 billion to \$1.47 billion.

Relation to Government priorities

- 3 The New Dunedin Hospital is a large and complex vertical health infrastructure project that supports the achievement of one of the Government’s main health priorities, being better population health outcomes supported by a strong and equitable public health and disability system.
- 4 Investment in the New Dunedin Hospital will enhance economic development opportunities, supporting the Government’s priorities for thriving and sustainable regions. At its peak, construction of the New Dunedin Hospital will add around \$100 million annual GDP to the local economy, an increase of 1.6 percent. It will also be supporting 914 full time equivalent jobs. Over the 10-year construction period, the accumulated impact is \$429 million additional GDP.

Executive Summary

- 5 On 24 August 2020 Cabinet approved a preferred option for the configuration of the New Dunedin Hospital; an Inpatient Building on the former Cadbury Factory block and an Outpatient Building on the adjacent former Wilson Parking block [CAB-20-MIN-0413].
- 6 Officials were directed to prepare a Final Detailed Business Case for Cabinet consideration by February 2021, including updated project costs and governance arrangements, prior to an investment decision. Due to the time taken to establish new governance arrangements; a Final Detailed Business Case could not be considered prior to April 2021.
- 7 The Final Detailed Business Case proposes construction of new facilities that will enable and support increasing demand in age-related services, modern flexible models of care, greater accessibility, standardisation and resilience. The new facilities will comprise 421 inpatients beds, 16 theatres (expandable to 20), 30

- intensive care beds (expandable to 40) and increased ambulatory care capacity, including for day surgery.
- 8 Joint Ministers of Health and Finance will consider Implementation Business Cases to align with the completion of further design stages and preferred contractor decisions for the Outpatient Building (February 2022) and the Inpatient Building (December 2023).
 - 9 It is proposed that the draw-down of funding from tagged contingency and the establishment of a new appropriation for the New Dunedin Hospital Project is deferred until after Budget Day 2021. In August 2020, \$127 million was transferred to the Health Capital Envelope 2020-2025 to enable the continuation of design, project management and delivery of early works packages through to 31 December 2021.
 - 10 The Southern District Health Board is preparing a Detailed Business Case for investment in digital infrastructure (currently estimated at between ^{§ 9(2)(b)(i)}) across its entire operations, including those related to the New Dunedin Hospital, by November 2021.
 - 11 Joint Ministers of Health and Finance will consider a separate single stage business case for an Interprofessional Learning Centre to be built alongside the New Dunedin Hospital. The Interprofessional Learning Centre (^{§ 9(2)(b)(ii)}) is supported by the University of Otago, Otago Polytechnic and the Southern District Health Board. The New Dunedin Hospital Project budget includes a \$17 million Crown contribution to this project [CAB-20-MIN-0413].

Background

- 12 In July 2017 Cabinet approved an Indicative Business Case for the New Dunedin Hospital. At the time, the New Dunedin Hospital was estimated to cost between \$1.2 - \$1.4 billion [CAB-17-MIN-0397 refers].
- 13 The Indicative Business Case was prepared prior to the selection in May 2018 of a site for the New Dunedin Hospital comprising two central city blocks on which were located the Cadbury Factory and Wilson Parking and other buildings to be acquired. Site selection allowed master planning and design options to progress. A preliminary site masterplan for the New Dunedin Hospital was publicly released in February 2019. It proposed a gross floor area (GFA) of 105,000m² across two-buildings (Inpatient and Outpatient/Day Surgery). Work on a concept design commenced in May 2019. An independent review of the schedule of accommodation for the hospital suggested that a significantly reduced GFA was feasible at circa 89,000m².
- 14 On 24 August 2020 Cabinet was advised of five design options and approved the preferred option 5. This option was endorsed by the Southern Partnership Group. Option 5 locates an Inpatient Building on the former Cadbury Factory block and an Outpatient Building on the adjacent former Wilson Parking block [CAB-20-MIN-0413]. A number of challenges with the central city site were highlighted and Cabinet noted that the total budget for the New Dunedin Hospital Project was likely to exceed the \$1.4 billion budget.

- 15 The total funding allocated for the New Dunedin Hospital Project to date consists of the following decisions, totalling \$1.4 billion:

Cabinet decision	Date	Funding	Status
Establishment of Progressing Dunedin Hospital contingency for initial design costs [CAB-18-MIN-0158.14 refers]	9 April 2018	s 9(2)(b)(ii)	Fully expended
Funding for land purchase and demolition works [CBC-18-MIN-0052 refers]	24 April 2018		Fully expended
Establishment of Dunedin Hospital Redevelopment contingency to fund ongoing design and procurement costs [CAB-19-MIN-0174.19 refers]	15 April 2019		Subject to approval of a Detailed Business Case
Drawdown from contingency for purchase of the 141-155 Hanover Street site required for the New Dunedin Hospital [GOV-20-MIN-0023 refers]	2 July 2020		Fully expended
Approval of preferred option and drawdown from contingency for the continuation of design, project management and delivery of early works [CAB-20-MIN-0413 refers]	24 August 2020		Work in progress

- 16 The New Dunedin Hospital Project has made good progress. The required land has been purchased and demolition and other site works are well underway. The entire site will be cleared by mid-2022 to enable start of construction. The Ministry of Health has a Dunedin-based project team and it is working closely with the Southern District Health Board on design of the new facilities. Concept design is now 100 percent complete and the next design stage has commenced. An application to the Minister for the Environment for referred project status (under the COVID-19 Recovery (Fast-track Consenting) Act 2020) has been approved. A procurement process for early contractor engagement on design and construction of the Inpatient Building commenced in November 2020.
- 17 Detailed project costs have been updated, independently reviewed and a Quantitative Risk Assessment completed providing a high level of confidence in the budget inclusive of contingency. Strict processes for managing scope, design and construction risks have been implemented to ensure that costs do not exceed \$1.47 billion. Officials have closely reviewed past health projects to inform project risk management.

- 18 Project governance mechanisms have evolved with the project. In June 2020 a Gateway Review identified governance as the most pressing risk to the successful delivery of the New Dunedin Hospital. In December 2020 the Southern Partnership Group was disestablished and membership of a new Executive Steering Group endorsed by Cabinet [CBC-20-MIN-0131 refers]. The new Executive Steering Group, chaired by Evan Davies (also chair of the Capital Investment Committee), commenced in February 2021. The Executive Steering Group endorsed the Final Detailed Business Case at its meeting 10 March 2021 and the Capital Investment Committee at its meeting on 1 April 2021. CIC endorsed the Final Detailed Business Case for the New Dunedin Hospital Project at a total budget of \$1.47 billion. ^{s 9(2)(f)(v)}
- CIC also noted that Southern DHB will provide the new Executive Steering Group with quarterly updates on progress with the wider Transformation Programme being overseen by the Southern DHB Board.
- 19 The Board of the Southern District Health Board oversees a wider change programme necessary to realise the full benefits of investing in the New Dunedin Hospital and across its operations, including successful delivery of its Digital Strategy, Workforce Strategy, and Primary and Community Care Strategy. On 7 September, Cabinet noted that the Director General of Health would write to the Southern District Health Board requesting that it establish a Transformation Programme Board reporting to the DHB Board to oversee a Transformation Programme to ensure more robust governance and greater alignment with the infrastructure investment [CAB-20-MIN-0431]. The Final Detailed Business Case notes that the Southern District Health Board has elected to provide this oversight directly rather than establish a separate board, on the basis that the Transformation Programme strongly linked to business-as-usual and an additional governance group may confuse accountabilities.
- 20 On 7 September, Cabinet noted that the Local Advisory Group, including the Dunedin City Council, Southern District Health Board, Otago Regional Council, University of Otago and Waka Kotahi would provide valuable local insights and advice [CAB-20-MIN-0431]. Officials are working with the Chair of the Local Advisory Group to update terms of reference to include regular reporting via the New Dunedin Hospital Executive Steering Group and meetings with joint Ministers from time to time.

Analysis

Strategic case

- 21 The strategic case for the New Dunedin Hospital, based on the poor condition of existing facilities and projected unsustainable service demand, has not changed since 2017. Updated modelling confirms that future service demand will be both clinically and financially unsustainable using the current facilities. For example, inpatients discharges are projected to increase by 28 percent by 2042/43 and bed days are projected to increase by over 40 percent due an aging population with more complex health needs.

- 22 A well-designed, fit-for-purpose hospital is one of many enablers required to deliver more modern models of care and improve the efficiency and effectiveness of services. For example, a better internal layout (adjacencies and sizing of spaces) will reduce unnecessary delays and contribute to shorter lengths of stay; better ward design will reduce avoidable harm and improve patient care experience leading to improved recovery; and staff will have an improved experience of the workplace contributing to more engagement, fewer absences and improved retention.
- 23 The Final Detailed Business Case includes a number of efficiency assumptions (patient throughput and staff workflow) that underpin the design of the New Dunedin Hospital, but are also critically dependent on the Southern District Health Board's wider change programme, including delivery of its Digital Strategy, Primary and Community Healthcare Strategy, and its Workforce Strategy. In particular, the Southern District Health Board's Digital Strategy is a key enabler of the benefits from investing in the New Dunedin Hospital.

Scope of services

- 24 The scope of services to be included in the new facilities have remained constant since 2019. The Southern District Health Board has reconfirmed the service scope as part of the Final Detailed Business Case (refer Appendix One). Most, but not all existing hospital services on the Dunedin city campus, will migrate to the new hospital. The New Dunedin Hospital will not replace the Oncology building, built in 1993, and services currently located at the Wakari campus (such as mental health) are not part of this investment.

Hospital design

- 25 Concept design for the preferred option was completed and endorsed by the Southern Partnership Group and Director-General of Health in November 2020. The size of the hospital has transitioned from just under 93,000m² in the 2017 Indicative Business Case to just under 91,000m² as measured at the end of concept design. The design of the New Dunedin Hospital is based on the Australasian Health Facility Guidelines. Its gross floor area is based on benchmarks comparing other health infrastructure projects in Australia and New Zealand.
- 26 Through the concept design work, it was agreed that a separate small ancillary building, located on Bow Lane, would better serve the configuration of buildings extending across two large city blocks. This would locate building services more centrally, improve site logistics (including moving the loading dock away from clinical areas) and address consenting risk. This change is included in the New Dunedin Hospital Project budget.

Southern District Health Board change programme

- 27 As part of its wider change programme the Southern District Health Board is preparing a Detailed Business Case for investment in digital infrastructure across its entire operations by November 2021, including the New Dunedin Hospital. This additional investment, currently estimated at between s 9(2)(b)(ii), is a

critical dependency and underpins design assumptions (for example, patient throughput and staff workflow) for the New Dunedin Hospital.

- 28 The Ministry of Health and Southern District Health Board are working together to ensure that the two business cases are well aligned. The Crown is expected to fund the majority of the investment in digital infrastructure; however, the Southern District Health Board is also expected to contribute.

Broader outcomes

- 29 As part of its procurement strategy, the Ministry of Health has given weight to obtaining broader outcomes for the investment in the New Dunedin Hospital. Contractors bidding to work on the project will be asked to demonstrate how they will contribute to increasing the size and skill level of the local workforce, support construction sector training through education providers, involve local industry and explicitly consider worker wellbeing, safety in design and environmental sustainability.
- 30 Provincial Growth Fund funding of \$1.85 million over four years was announced in July 2020 to help establish Workforce Central Dunedin's construction industry Jobs and Skills Hub, in support of the New Dunedin Hospital. Supported by the Ministry of Business Innovation and Employment and managed by the Otago Chamber of Commerce, the Jobs and Skills Hub is aiming to upskill and support more than 300 local people into work on the hospital build.

Procurement

- 31 Procurement for early main contractor engagement in the design of the Inpatient Building commenced in December 2020. The more collaborative early contractor engagement approach was selected following market feedback and reflects the greater complexity (design and constructability) associated with this build. Contract award is anticipated in May 2021. Assuming the main contractor meets performance expectations in the design stage, it will go on to construct the Inpatient Building.
- 32 The main contractor for the Outpatient Building will be procured separately using a traditional construction management approach. It is a smaller build and less complex. A request for proposal will be published in September 2021 with contract award anticipated for February 2022. The different procurement approaches are summarised in the table below.

Outpatient ~13,391 m ² – 3-year construction	Inpatient (including Ancillary Building) ~77,591 m ² – 6-year construction
Construction Management – Preliminary General & Margin <ul style="list-style-type: none"> • Relatively simple design has less scope for design innovation • More attractive to local (NZ) contractor market • Ability to advance programme to provide early capacity • One stage RFP September 2021 with contract award February 2022 	Early Contractor Engagement <ul style="list-style-type: none"> • Large and complex building will need a large and experienced contractor • Maximise contractor/subcontractor involvement in collaborative design phase • Enhances price certainty • Design collaboration June 2021 to June 2023 • All contracts awarded by November 2023

- 33 In its various contractual arrangements, the Ministry of Health has and will continue to adopt the principles of the Construction Sector Accord and ensure fair risk allocation between the parties. Significantly, the Ministry of Health has retained all ground condition and design risk. Project team resourcing reflects management of retained risk, including additional design management capability and capacity.

Project Budget

- 34 Based on the completed concept design, project costs have been updated by Quantity Surveyors, Rider Levett Bucknall and independently reviewed by Rawlinsons. Costs have been benchmarked against three major health facility projects recently delivered in the South Island, namely, Burwood Hospital and the Christchurch Hospital’s Outpatient building and Acute Services building. The project costs included in the Final Detailed Business Case are summarised in the table below.

Component	Outpatient Building (\$m)	Inpatient Building (\$m)	Ancillary Building (\$m)	Other Project Costs	Total (\$m)
Site preparation and planning					
Substructure					
Structural frame					
Envelope					
Hard fitouts					
Central and services distribution/plant					
External works					
Demolition					
Land					
FF&E					
Helipad					
Total					

- 35 Benchmarking has identified that the New Dunedin Hospital will be relatively more expensive on a cost per square metre basis than the benchmark projects. This is due to a higher requirement for central plant, comparatively poor ground conditions and associated piling and flood mitigation requirements, disposal of excavated contaminated ground, and our commitment to achieving a 5 Green Star rating for the facility. The table below shows how the cost estimate had evolved since the Indicative Business Case in 2017.

Date	April 2017		November 2020	
	Core option F Greenfields/brownfields		Final concept design	
	GFA	Cost (\$m)	GFA	Cost (\$m)
Inpatient (Acute Building)	s 9(2)(b)(ii)			
Outpatient (Ambulatory)				
Other build (link, non-clinical support, central plantroom)				
Other items (infrastructure, health hub, FF&E, Helipad, Carparking, External works)				
Land				
Design fees and consents				
Ministry staff, governance and site costs, procurement				
Escalation				
Contingency				
Total				

- 36 Within the budget the Quantity Surveyor has allowed for s 9(2)(b)(ii) of contingencies for design, construction and project scope risk. This equates to s 9(2)(b)(ii) of those cost items to which these contingencies apply.

Contingencies	Estimate (million)
Construction contingency	s 9(2)(b)(ii)
Design Risk	
Project Contingency	
FFE integration	
Professional Fees	
Programme Contingency	
Total	

- 37 A Quantitative Risk Assessment has been completed, the results of which indicate good alignment between the Quantity Surveyor's costs including construction contingency (but excluding design contingency) and the P90 (90 percent probability that project will be delivered for this sum) pessimistic outcome.

Source	Construction cost	Estimate (billion)	Add design contingency (billion)
Quantity Surveyor	excluding all contingency	s 9(2)(b)(ii)	
Quantitative Risk	P50		

Source	Construction cost	Estimate (billion)	Add design contingency (billion)
Assessment	P85	s 9(2)(b)(ii)	
	P90		
Quantity Surveyor	including construction contingency		

- 38 The Quantitative Risk Assessment focuses on risk factors that vary the cost of construction, including cost escalation, contractor margins and preliminaries, site issues, workforce availability, major component cost and programme slippage. It does not include estimating a meaningful risk distribution for design and scope risks, which are difficult to determine.
- 39 The Quantity Surveyor's estimate including all contingencies (for design, construction, project risks) is currently estimated at s 9(2)(b)(ii). The expected cost risk from variation in construction costs (comparing P90 to P50) is in the order of \$70 million, whereas the contingency estimate for design scope risk is in the order of \$104 million.

Managing design scope and risk

- 40 The Ministry of Health retains all design risk and consequently manages the design process. The Southern District Health Board's clinical user groups and leadership have already had significant input to the concept design through a structured and disciplined process. The Southern District Health Board has now confirmed the baseline design and contingency allocation. Any subsequent design and scope risk will be monitored by the new Executive Steering Group tasked with ensuring that the New Dunedin Hospital is successfully delivered on time and within budget in accordance with the approved Final Detailed Business Case.

Carbon neutrality programme

- 41 The Ministry of Health and the Southern District Health Board are committed to delivering a sustainable and wellness-focused built environment for the New Dunedin Hospital. The project is targeting 5 Star Green Star accreditation and will be benchmarked against a number of internationally sustainability rating tools. These rating systems aim to transform the build environment by reducing the impact of climate change.
- 42 This means that design and product specifications for the build require a reduced carbon response, for example for cement and steel. The design of facades and windows support thermal efficiency, for example through use of low-e double glazing. Low energy intelligent lighting systems will use smart occupancy and daylight sensors in order to prioritise daylight over artificial lighting.
- 43 Waste reduction is a key objective throughout the project and contractors will be required to comply with waste minimisation plans. The New Dunedin Hospital will include end-of-trip facilities and secure bike parking for staff and fleet car parking will include electric vehicle charging points.

Interprofessional Learning Centre

- 44 Dunedin Hospital is a university teaching and clinical training hospital with strong links to the University of Otago and the Otago Polytechnic Schools of Nursing, Midwifery and Health Sciences. The Southern District Health Board also partners with the University of Otago on health research activities and has established a Health Research Office to facilitate interdisciplinary research by its staff and partners. The University of Otago and Otago Polytechnic have indicated their interest in co-locating future infrastructure around the New Dunedin Hospital to enhance Dunedin's health precinct.
- 45 As noted previously by Cabinet, a separate business case is being prepared for an Inter-professional Learning Centre (estimated to cost § 9(2)(b)(ii)), supported by the University of Otago, Otago Polytechnic and the Southern District Health Board. The New Dunedin Hospital Project budget includes a \$17 million Crown contribution to this project [CAB-20-MIN-0413].

Next Steps

- 46 It is critical that the New Dunedin Hospital Project continue to progress without delay (key programme dates are summarised at Appendix Two). The demolition and design programmes and early delivery of day surgery capacity in the Outpatient Building remain on the critical path for this project.
- 47 The key decision points for the project up to completion are summarised below:

Stage Gate	Decision maker	Supporting information	Timing
Inpatient Building early contractor engagement: award of contract	Director-General of Health	Procurement Strategy and Tender Evaluation Report	May-21
Outpatient Implementation Business Case	Joint Ministers	Preliminary Design Preferred Contractor	February 22
Inpatient Building – first separable portion contract award	Director-General of Health	Contract	May 2023
Inpatient Building – second separable portion contract award	Director-General of Health	Contract	October 23
Inpatient Building – third and final separable portion contract award	Director-General of Health	Contract	December 23
Inpatient Implementation Business Case	Joint Ministers	Detailed Design Preferred Contractor	December 23

Financial Implications

- 48 A total New Dunedin Hospital Project budget of § 9(2)(b)(ii) is requested to fund the preferred option outlined in the Final Detailed Business Case. The balance remaining in the Dunedin Hospital Redevelopment – Tagged Contingency is § 9(2)(b)(ii)

- 49 A number of related but separate projects are excluded from the New Dunedin Hospital project budget: the full cost of the Interprofessional Learning Centre (only \$17 million is included within the project budget), the South Island Patient Information Care System and Southern District Health Board Digital investment.

Legislative Implications

- 50 As a result of the Crown undertaking the construction work for the New Dunedin Hospital, on completion of each building it will be necessary to transfer legal ownership of all improvements owned by the Crown for the purpose of the project (including buildings, land, plant, equipment, furniture and fittings) to the Southern District Health Board.
- 51 It is proposed that the mechanism to enact the transfers is through an Order in Council under section 5 of the Health Sector (Transfers) Act 1993. I seek Cabinet's authorisation to enable the Parliamentary Counsel Office (PCO) to draft Orders in Council to effect the necessary transfers.
- 52 If agreed, Orders in Council will be prepared under section 5 of the Health Sector (Transfers) Act 1993 for the transfer of improvements for the New Dunedin Hospital constructed by or on behalf of the Crown, acting through the Ministry of Health, to the Southern District Health Board.

Impact Analysis

Regulatory Impact Statement

- 53 There is no regulatory impact associated with the New Dunedin Hospital Project proposal.

Climate Implications of Policy Assessment

- 54 Decreasing greenhouse gas emissions is not a key policy objective for the New Dunedin Hospital project. A Climate Implications of Policy Assessment has not been carried out, although design of the New Dunedin Hospital includes low carbon materials, improved thermal efficiency, low energy operations, end-of-trip facilities and secure bike parking for staff, and electric vehicle charging points for fleet car parking. Waste minimisation is a key objective for the construction.

Population Implications

- 55 Southern District Health Board requires significant investment to address deteriorating and inflexible facilities that currently restrict service capacity and adoption of more efficient and effective models of care. This investment in Dunedin contributes to the development of a stronger public health system equipped to deliver better health outcomes for the population of Otago and Southland. The New Dunedin Hospital will also be a key urban landmark that supports the city's long-standing relationship with health education.

Human Rights

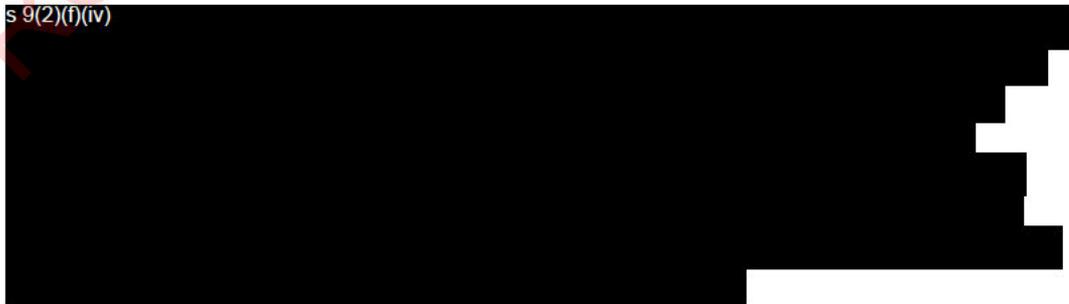
- 56 The proposals in this paper are not inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Consultation

- 57 The The Treasury, New Zealand Infrastructure Commission - Te Waihanga and the Department of the Prime Minister and Cabinet have been consulted.

Treasury Comment

- 58 The Treasury acknowledges the progress on the New Dunedin Hospital Project and supports the approval of the Detailed Business Case, subject to the inclusion of the following conditions. These are to mitigate the outstanding risks regarding the alignment with the SDHB's Transformation Programme, and budget and scope management.
- a) Regular monthly information sharing on the Transformation Programme with the Executive Steering Group and the Crown Monitors (as the quality assurer), including any implications for the affordability of the overall investments to the Southern District Health Board.
 - b) The development of a Value Management Strategy which provides a framework on scope and value management trade-offs and supports budget and contingency controls going forward.
 - c) The provision of Quantity Surveyor reports associated with each of the design stages to the Executive Steering Group, and an updated Quantitative Risk Assessment as part of the Implementation Business Cases for the Outpatient and Inpatient Buildings.
- 59 The Treasury remains concerned that the governance arrangements for the Transformation Programme continue what has previously been in place and to date this has been unsuccessful in providing visibility of a structured programme approach and progress. Advice will be provided by officials to joint Ministers on this arrangement independent of the recommendations presented in this paper.

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

- 61 My office will prepare communications to support an announcement in consultation with the Minister of Finance if Cabinet approves the Final Business Case funding.

Proactive Release

- 62 I propose the proactive release of this paper and the Final Detailed Business Case with appropriate redactions given the significant scale of this investment and high level of local and national interest.

PROACTIVELY RELEASED

Recommendations

The Minister of Health recommends that the Committee:

- 1 **Note** that on 24 August 2020 Cabinet approved in principle the Detailed Business Case for the New Dunedin Hospital Project, subject to finalising the concept design, updating project costs, and establishing a new Executive Steering Group.
- 2 **Note** that in August 2020 officials expected the total budget for the New Dunedin Hospital to exceed \$1.4 billion and were directed to prepare a Final Detailed Business Case by February 2021.
- 3 **Note** the Executive Steering Group will receive regular monthly information on the Transformation Programme, ensure the development of a Value Management Strategy, consider Quantity Surveyor reports at each of the design stages, and ensure an updated Quantitative Risk Assessment is performed as part of the Implementation Business Cases for the Outpatient and Inpatient Buildings;
- 4 Approve in-principle the Final Detailed Business Case for the New Dunedin Hospital Project at a total budget of ^{s 9(2)(b)(ii)} [REDACTED], subject to the finalisation of the funding arrangements by joint Ministers.
- 5 **Agree** that on completion of further design stages and preferred contractor decisions (prior to contract award), joint Ministers of Health and Finance will consider Implementation Business Cases for the Outpatient Building by February 2022 and the Inpatient Building by December 2023.

Financial Implications

- 6 Authorise the joint Ministers of Health and Finance to finalise the funding arrangements, including the proposed draw-down of the balance of funding of ^{s 9(2)(b)(ii)} [REDACTED] capital from tagged contingency and the establishment of a new appropriation for the New Dunedin Hospital Project after Budget Day 2021.
- 7 Note that the additional ^{s 9(2)(b)(ii)} [REDACTED] required for the new total budget for the New Dunedin Hospital Project will be drawn from the existing Health Capital Envelope 2021-2026 MYA

Southern District Health Board Transformation Programme and Digital Infrastructure Investment

- 8 Note that the Southern District Health Board is preparing a Detailed Business Case for investment in digital infrastructure across its entire operations, including those relating to the new hospital facilities on the Dunedin campus (currently estimated at between ^{s 9(2)(b)(ii)} [REDACTED]).
- 9 **Note** the Treasury remains concerned with the Southern District Health Board governance arrangements for the Transformation Programme, which to date has been unsuccessful in providing visibility of a structured programme approach and progress.

- 10 **Note** officials will provide advice separately to joint Ministers regarding how the concerns with the Transformation Programme governance arrangements might be addressed.

Interprofessional Learning Centre

- 11 Agree that joint Ministers of Health and Finance have delegation to approve a separate single stage business case for an Interprofessional Learning Centre supported by University of Otago, Otago Polytechnic and the Southern District Health Board. The New Dunedin Hospital budget includes a \$17 million Crown contribution to this project [CAB-20-MIN-0413].

Order in Council

- 12 **Note** a transfer of the improvements constructed for the New Dunedin Hospital from the Crown to Southern DHB is required by way of an Order in Council under section 5 of the Health Sector (Transfers) Act 1993 as each building is completed.
- 13 **Authorise** the Minister of Health to issue drafting instructions to Parliamentary Counsel Office for Orders in Council under section 5 of the Health Sector (Transfers) Act 1993 to give effect to the recommendations above.

Authorised for lodgement

Hon Andrew Little
Minister of Health

Appendix One – Service Scope

In-scope services included in each building

Inpatient Building (~77,591m² including links and Ancillary Building)	
<p>Patients Areas Medical/Surgical Inpatient Unit High Acuity Inpatient Unit Rehabilitation Inpatient Unit Mental Health Services Older Persons Children’s Inpatient & Paediatric Assessment Day Unit Intensive Care Unit (10 Shelled Bays) Acute Renal Dialysis Unit Neonatal Intensive Care Unit Maternity Unit + Interventional Suite Primary Birthing Unit Haematology & Oncology Inpatient Unit</p> <p>Interventional Areas Operating + Interventional Suite (4 Shelled Theatres) 23 Hour Ward Emergency Department including & Satellite Radiology Emergency Psychiatric Service (EPS) Assessment Planning Unit Acute Radiology Nuclear Medicine Mortuary Day Surgical Unit Cardiac Interventional Suite</p> <p>Public & Community Areas Front of House Retail (<i>Shell Only</i>) Multi-Faith Centre Whānau Spaces</p>	<p>Labs & Processing Areas Medical Physiology Labs Pathology Laboratory (<i>Shell only</i>) NZBS - Blood Bank (<i>Shell only</i>)</p> <p>Supplementary Services Pharmacy CETES: Clinical Engineering Sterile Services Unit Security Information Services Building & Property Integrated Operations Centre Staff Amenities Heliport Collaborative Workspace (<i>Shell only</i>)</p> <p>Ancillary Building (linked to Inpatient)</p> <p>Supplementary Services Back of House - Linen, Waste, Mail & Support Food Services (<i>Shell Only</i>) Procurement & Supply</p>
Outpatient Building (~13,391 m²)	
<p>Clinical Areas Day Procedures Unit Planned Radiology Specialist Clinics Day Medical Unit</p> <p>Public & Community Areas Front of House Retail (<i>Shell only</i>)</p>	<p>Labs & Processing Areas Transit Care Unit Pathology Collection (<i>Shell only</i>) Supplementary Services Back of House - Linen, Waste & Support Satellite Security Satellite CETES</p>

Out of scope services accommodated in residual Dunedin campus

Out of Scope	
<p>Breast Care including BreastScreen Aotearoa Community Care Hub based Ambulatory services Sexual Health Urgent Care Centre Orthotics and Prosthetics NZ Artificial Limb Service Renal Home Training Unit Clinical and Corporate Information Management</p>	<p>Central Intake Service Information Services Transport Building and Property Procurement & Supply Additional carparking Creche Gibson Day Unit (Older persons’ mental health)</p>

Inpatient overnight bed capacity

Ward	Current	NDH
Maternity	21	24
Neonatal	19	22
Self-care, transitional beds	4	12
Paediatric	19	16
Medical / Surgical (includes Medical HDU)	227	246
Mental health services of older people	12	21
Rehabilitation	34	40
Intensive care, HDU surgical	16	40 (including 10 built as shell)
Total	352	421

Operating theatre requirements (Inpatient and Outpatient)

Operating theatres	Current	NDH
Acute and elective	9	15 (including 4 built as shell)
Same day	2	5
DSA / angiography	1	2
Cardiac catheter laboratory	1	2
Endoscopy rooms	3	4
Total	16	28

Same day and ambulatory rooms

Same day and ambulatory rooms	Current	NDH
Same day/bed equiv.		
Acute dialysis unit	10	8
Day medical	5	16
Day surgical	11	27
Day recovery	17	22
23-hour unit	0 ¹	20
Birthing rooms	7	10
Maternity assessment unit	4	7
Paediatric assessment unit	5	4
Paediatric day unit	2	4
ED bays	31	53
Emergency psychiatric	5	5
Ambulatory rooms		
Clinic consult rooms	n/a ²	64
Specialty clinic rooms	n/a	20

¹ The 23 hour unit is a new model of care that will seek to get greater efficiency from operating theatres and inpatient beds

² Outpatient activity currently occurs in a variety of spaces including dedicated outpatient clinic rooms plus offices.

Same day and ambulatory rooms	Current	NDH
Procedure rooms	1	4
Medical physiology labs	24	29
Transit care	0	12

Imaging

Modality	Current	NDH
MRI	1	3
CT	1 ³	3
Ultrasound	4	6
Fluoroscopy	1	1
OPG/cone	0	1
General x-ray	6	8
Mobile x-ray	7	6
Mobile image intensifiers	3	4
Mammography	3rd party	0
SPECT CT	1	1
DEXA	1	1

³ A second CT scanner is primarily used as a treatment planning scanner for Southern Blood & Cancer which is out of scope of NDH project.

Appendix Two – Programme

Activity / Milestone	Master Programme (A2.5)
FINAL DETAILED BUSINESS CASE	April 21
DEMOLITION (including slab and foundation removal)	June 20 – June 22
Outpatient Site	June 20 – Feb 21
Inpatient Site	Jan 20 – Jun 22
RESOURCE CONSENTS – Both sites	May 20 – Dec 21
Demolition consents (above ground) (Complete)	May 20 – Dec 20
Below ground	Nov 20 – Nov 21
Fast Track Resource Consent (lodged Sept 21)	Dec 21 Expected
OUTPATIENT & DAY SURGERY BUILDING	JANUARY 25
Design (including approvals)	March 20-April 22
Concept Design (Complete)	Mar 20 – Oct 20
Preliminary Design	Oct 20 – April 21
Developed Design	April 21 – Sept 21
Detailed Design	Sept 21 – April 22
Procurement (Outpatient Main Contractor)	Sept 21 – Feb 22
RFP Release	Sept 21
Evaluation Complete	Dec 21
Implementation Business Case and Contract Award	Feb 22
Construction	Jan 22-Jan 25
Early Works	Jan 22- Dec 22
Main Build	Oct 22 – July 24
Comm FF&E, Op Readiness	Mar 24 – Jan 25
Go Live	Jan 25
INPATIENT BUILDING	APRIL 28
DESIGN (including approvals)	March 20 – June 23
Concept Design (Complete)	Mar 20 – Oct 20
Preliminary Design	Oct 20 – Sept 21
Developed Design	Sept 21 –July 22
Detailed Design	July 22 – June 23
Procurement (ECE – Main Contractor input into Design)	Dec 20- May 21
RFP Release	Dec 20
Contract Award	May 21
Procurement (Main Contractor – Separable Portions)	Oct 22 – Nov 23
SP 1. Substructure including Base Isolator	Oct 22 – May 23
SP2. Superstructure, Façade and Roof (Base-build)	March 23 – Oct 23
SP 3. Clinical and Non-clinical Internal Fitout	June 23 -Dec 23
Construction	JAN 23- -APRIL 28
Early Works	Jan 23 – March 24
Main Build	Dec 23 – May 27
Comm FF&E, Op Readiness	Mar 27- April 28
Go Live	April 28