

# HEALTH INFRASTRUCTURE 101 BRIEFING

Ministry of Health | Manatū Hauora  
Te Whatu Ora  
16 February 2023

# OVERVIEW OF CAPITAL SETTINGS

Te Whatu Ora has progressive decision rights to manage the sector's capital investment and asset management portfolio.

- From 1 July 2022- 30 June 2024, the Te Whatu Ora Board can approve investments with a whole of life cost of up to \$25.0 million. Beyond this amount, the approval of the Minister of Health or Cabinet is required.
- From 1 July 2024, the threshold increases to \$200.0 million (with consultation with the Minister of Health required for investments \$50.0 - \$200.0 million) **if** Te Whatu Ora demonstrates to Ministers, Cabinet and monitoring agencies (Manatū Hauora, the Treasury and Te Waihanga) that it has the necessary structure and capability for enhanced management of the infrastructure portfolio.

Key elements in assessing Te Whatu Ora maturity will be the first Infrastructure Annual Report due with Cabinet by 31 July 2023 and the National Asset Management Strategy and Investment Plan in support of a fully costed New Zealand Health Plan to be submitted to Cabinet by December 2023

Two main funding sources for investments:

- Health Capital Envelope appropriation (\$1.307b for two years 2022-2024)
- Self-funding by Te Whatu Ora through annual depreciation allocation (approx. \$0.700b pa)

Treasury's Better Business Cases (BBC) supports good decision-making that maximises public value by providing a common format and systematic way to present investment proposals

There are different types of business case depending on complexity.

A business case must include:

Strategic case – *compelling case for change & associated benefits*

Economic case – *all options considered & preferred option offering best public value identified*

Commercial case – *commercially viable procurement approach*

Financial case – *affordability*

Management Case – *organisation of the project for successful delivery*

# OVERVIEW OF CAPITAL SETTINGS

## Te Whatu Ora

Responsible for asset management and the planning and delivery of all public Health infrastructure projects, including:

- management of health facilities, land estate acquisition and disposal, and operation of hospital infrastructure
- identification and planning of new infrastructure requirements
- provision of advice on investment priorities and funding sought
- developing business cases for projects
- approving low value and low risk investments under the new capital settings
- delivery of infrastructure projects
- providing performance and assurance reporting

## Manatū Hauora

Chief Steward of the Health system and:

- monitors Te Whatu Ora processes and systems for planning & prioritising new infrastructure investments and advises Minister of Health
- provides detailed review and analysis of high risk | high value projects to Ministers
- monitors Te Whatu Ora performance in managing the Health capital portfolio
- monitors assurance reports
- approves equity drawdowns

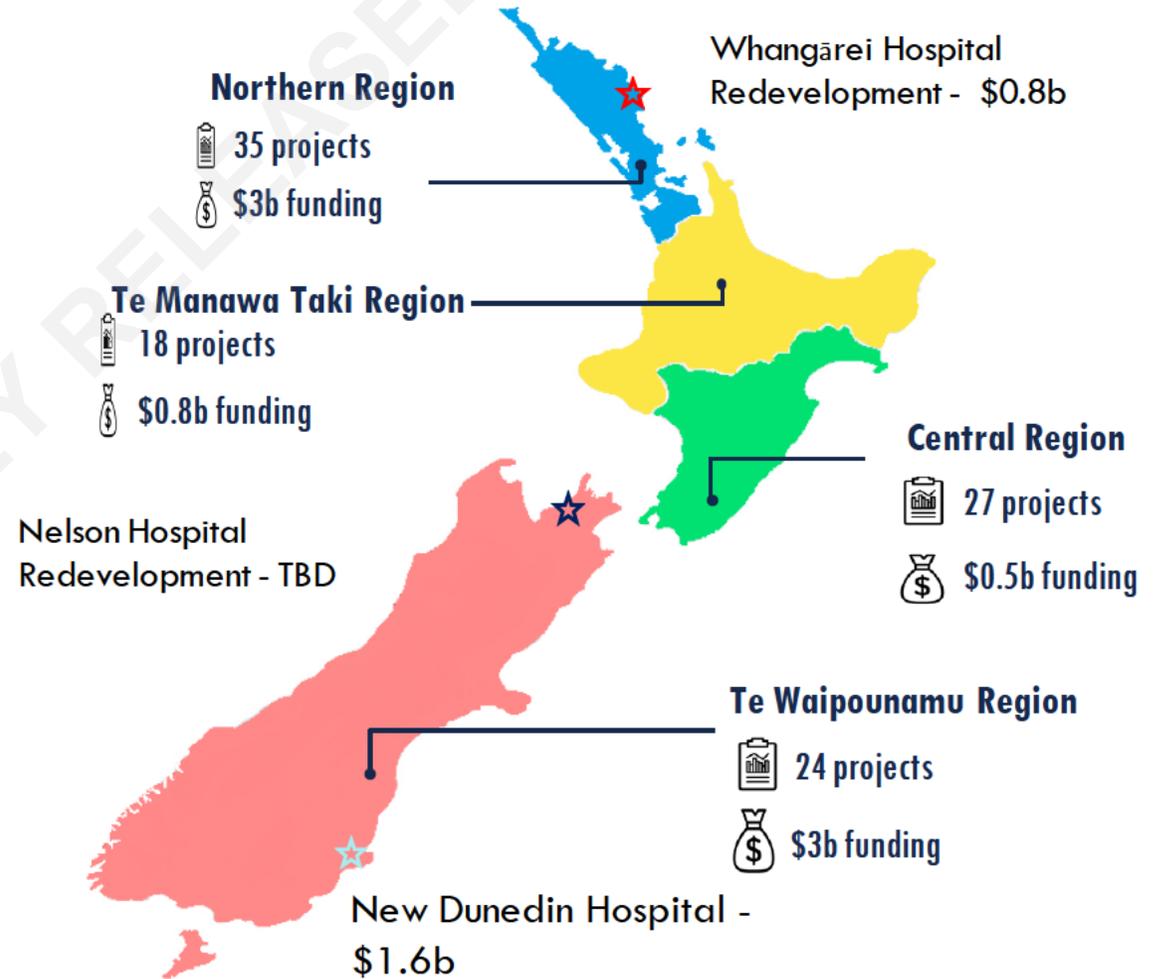
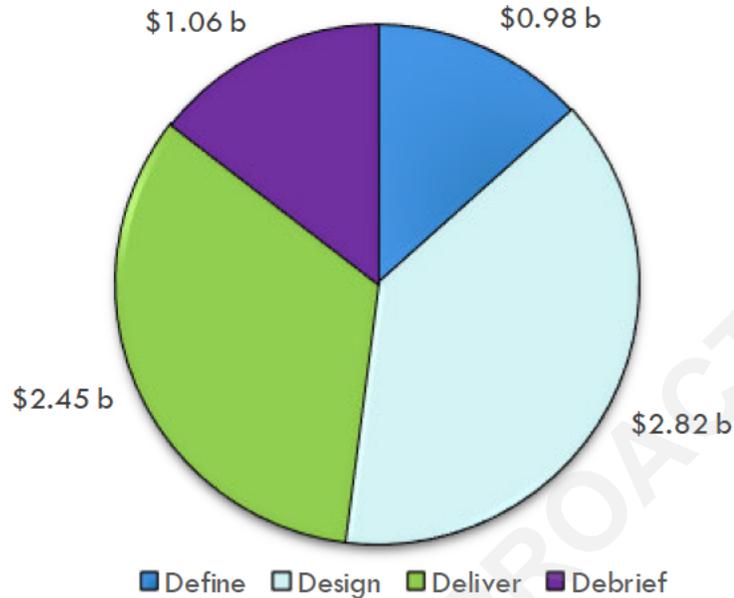
## The Treasury

As the Government's lead economic and financial advisor, The Treasury is focused on system settings and financial levers to enable good performance across the infrastructure portfolio.

# ROLES AND RESPONSIBILITIES

# INFRASTRUCTURE PROJECTS BY STAGE OF DELIVERY AND REGION

Total Project Funding by Phase as at December 2022



s 9(2)(g)(i)

PROACTIVELY RELEASED

# RISKS AND ISSUES

Need to develop a consistent and comprehensive picture of clinical priorities and state of infrastructure to inform asset management and investment needs.

Historical underspend on health infrastructure has led to degradation of estate and deficit in investment. In 2021 DHBs identified 600 projects needing \$24b over next 10 years.

Cost escalation and time delays on existing projects - inflation in the construction market; higher project costs as detailed design work is finalised post-approval & market engagement occurs, quality of planning inputs.

Building Te Whatu Ora capability & capacity – implementing Infrastructure Operating Model, enhancing the management of infrastructure project planning and delivery, ensuring efficient processes.

Requirement to develop a national picture of priorities for investment across total estate to guide both current funding allocation and requests in Budget 24.

# FOCUS OF TE WHATU ORA

---

Delivery of Ministerial approved investments for new and upgraded infrastructure, including priority areas of major hospital developments and mental health facilities

---

Implementation of new structure across Te Whatu Ora that integrates and lifts the capability for the management and delivery of enhanced health infrastructure

---

Enhancing the tools and systems to support an effective management of infrastructure, including the reporting of delivery performance and the enhanced asset management and investment planning

# FOCUS OF MANATŪ HAUORA

---

System set-up: To deliver on the objectives of the Health reforms roles, responsibilities and expectations are clearly understood by all parties and Manatū Hauora is provided timely access to appropriate information to perform its monitoring role and provide Ministers with quality advice.

---

Agreeing a performance and monitoring framework with Te Whatu Ora across the Investment Management lifecycle, including planning, delivery, reporting (HCE and self-funded) and lessons learned.

---

Report backs on capital settings, investment management, review of National Asset Management Strategy and Investment Plan.



# UPCOMING DECISIONS