

Briefing

Making an earlier decision on a new medical school

Date due to MO:	7 June 2024	Action required by:	14 June 2024
Security level:	IN CONFIDENCE	Health Report number:	H2024043311
To:	Hon Dr Shane Reti, Minister of Health		
Copy to:	Hon Nicola Willis, Minister of Finance Hon Penny Simmonds, Minister for Tertiary Education and Skills		
Consulted:	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

Contact for telephone discussion

Name	Position	Telephone
Maree Roberts	Deputy Director-General, Strategy, Policy and Legislation	s 9(2)(a)
Allison Bennett	Group Manager, Strategy, Policy and Legislation	s 9(2)(a)

Minister's office to complete:

- | | | |
|---|------------------------------------|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Decline | <input type="checkbox"/> Noted |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn | |

Comment:

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Security level: IN CONFIDENCE **Date:** 7 June 2024

To: Hon Dr Shane Reti, Minister of Health

Copy to: Hon Nicola Willis, Minister of Finance
Hon Penny Simmonds, Minister for Tertiary Education and Skills

Purpose of report

1. This briefing seeks your agreement to an earlier timeline for decisions on a new medical school and notes the associated risks.

Key points

2. You have asked for advice on an earlier timeline for consideration of the Cost Benefit Analysis (CBA), as part of the Programme Business Case, to enable a decision on the preferred way forward for a new medical school.
3. The Programme Business Case was planned for consideration by the Cabinet Expenditure and Regulatory Review Committee in Quarter 3 of 2024, with the Detailed Business Case, including a completed CBA to be considered in Quarter 1 of 2025.
4. A review of the timelines has determined that the Programme Business Case and the completed CBA can be submitted for Cabinet consideration in August 2024.
5. We have renegotiated and signed a contract with the preferred provider (Sapere) for the CBA, to meet the new timeframes. We are currently working through with them new milestones as well as how to manage risks, including them shifting staff onto this project.
6. There are risks associated with an earlier timeframe for decisions including:
 - a. the timelines for development of a high-quality CBA and Programme Business Case being insufficient;
 - b. the quality of the CBA and Programme Business Case is impacted, including greater uncertainty of the future costs of the programme of work, which heightens the risk that further Crown funding is required later in the process;
 - c. opportunity for stakeholder engagement is significantly limited, including obtaining data input from the University of Waikato, Health New Zealand, the University of Auckland, and the University of Otago to support a thorough CBA.

- d. impact on other items on the Ministry's work programme, as we support external providers and meet the new timeframe.
7. The Ministry of Health will work with the University of Waikato, Health New Zealand, key agencies and the external provider Sapere, who are undertaking the CBA to manage the risks where possible.
8. Funding for a new medical school will be sought through Budget 2025, where a funding commitment will be needed to proceed with major components of the projects.

Recommendations

We recommend you:

- a) **Note** officials met with you on 31 May 2024 to discuss possible options for a faster timeline for decisions on a new medical school
- b) **Note** there are risks associated with an earlier timeline, including insufficient time for a high-quality Programme Business Case and Cost Benefit Analysis, greater uncertainty of costs and limited opportunity for stakeholder engagement
- c) **Agree** officials to bring forward consideration of the Cost Benefit Analysis to August 2024 to align with completion of the Programme Business Case **Yes/No**
- d) **Agree** that Cabinet will consider the Cost Benefit Analysis as part of the Programme Business Case and preferred proposal in August 2024 **Yes/No**
- e) **Note** that all requirements of the Better Business Case process will still be required with submission of a Detailed Business Case and Implementation Business Case to Cabinet in 2025
- f) **Note** this process will not adjust timelines for seeking funding through the Budget 2025 process, or expectations that funding for a new medical school be considered against other government investment priorities in Budget 2025
- g) **Agree** to forward this paper to the Minister of Finance and the Minister for Tertiary Education and Skills (as joint Ministers with yourself for the programme of work) **Yes/No**
- h) **Note** subject to your agreement to the timeframes we recommend that you provide an oral update to Cabinet.


Dr Diana Sarfati

Director-General of Health

Te Tumu Whakarae mō te Hauora

Date:

7/6/24


Hon Dr Shane Reti

Minister of Health

Date:

9/6/2024

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Context

9. On 27 May 2024, Cabinet agreed that the Ministry of Health will proceed with developing a Programme Business Case, which the Minister of Health will provide to the Cabinet Expenditure and Regulatory Review Committee by Quarter 3 of 2024 (CAB-24-MIN-0183 refers).
10. You have asked for advice on an earlier timeline for consideration of the Cost Benefit Analysis (CBA), as part of the Programme Business Case to enable a decision on the preferred way forward for a new medical school.

Timelines for decision making

Current timeframes and Better Business Case requirements

11. The timelines for a Programme Business Case are dependent upon the size and complexity of the programme; the amount of due diligence and research, analysis and investigation required; and the available resources.
12. Each stage of the Better Business Case process progressively builds up information on different aspects of the Better Business Case framework.
13. s 9(2)(f)(iv)
[Redacted text block]
14. Cabinet received advice on the pathway for decisions (CAB-24-MIN-0183 refers), as follows:
 - a. Quarter 3, 2024: Programme Business Case – seeks agreement to key components of the programme;
 - b. Quarter 1, 2025: Detailed Business Cases – seeks agreement to proceed with a new medical school and provides the full Cost Benefit Analysis;
 - c. Budget 2025 initiative – Confirms the Government's financial commitment for establishment costs of the proposed medical school;
 - d. May 2025: Implementation Business Cases – seeks agreement to progress with the commercial and contractual arrangements for delivery;
 - e. Budget 2027 – confirms financial commitment for the ongoing operating and capital costs associated with increasing the medical trainee cap.

Proposed earlier timeframe for decisions

15. The Ministry of Health recommends that for Cabinet to consider the CBA in Quarter 3, will require:
 - a. The CBA to be completed by Sapere in July 2024, this brings forward the current timeline for completion of the CBA from October 2024.
 - b. A Programme Business Case is completed in in Quarter 3 of 2024.
 - c. Consideration of the completed CBA is included with submission of the Programme Business Case.
 - d. **Consideration of the CBA as part of the Programme Business Case and a decision on the preferred option and way forward is made by Cabinet in August 2024.**
16. The high-level overview of the programme milestones and establishment pathway is attached as Appendix One. A more detailed programme plan for delivering the Programme Business Case and CBA is shown in Appendix Two.
17. Cabinet will only be able to make a decision in August 2024 if:
 - a. the Programme Business Case meets the requirements of the Better Business Case guidance, which includes the Gateway Review and Independent Quality Assurance;
 - b. there is input from the University of Waikato, Health New Zealand and other key stakeholders with the relevant information needed to support decision makers; and
 - c. the response from external review and assurance processes is satisfactory or any information gaps or risks can be managed.
18. A detailed business case and implementation case would still be submitted to Cabinet in January 2025 focused on finalising the details of the preferred proposal and costs that will be sought through Budget 2025.
19. Any additional information requirements or expectations from Cabinet could be provided at the later decision points in Q1 and May of 2025 (as per the original timeline for the Detailed Business Case and Implementation Business Case) mitigating some of the risks associated with this earlier timeline for key decisions.

Associated risks with making an earlier decision on a new medical school

20. Any adjustment to bring forward the timelines of the programme of work will increase risks associated with the successful delivery of the Programme Business Case and CBA.
21. An earlier timeline also increases the risk that the new proposal isn't sufficiently developed to demonstrate that it can achieve the investment objectives and needs of the health system. An earlier CBA also may reduce confidence that alternative options and wider system implications have been considered sufficiently. Key risks include:
 - a. insufficient time to provide the necessary information, or assurances that the programme can be delivered successfully and within financial estimates;
 - b. the quality of the CBA and Programme Business Case is impacted providing less certainty that the assessment of the options is accurate;

- c. opportunity for stakeholder engagement is significantly limited placing additional risk that the Programme Business Case and CBA is not supported, or does not reflect a fair comparison of options and preferred path forward;
 - d. increased uncertainty of the costs and heightens the risk that further funding is required later in the process, after Cabinet has agreed to proceed with a new medical school. More detailed design through the Detailed Business Case will not be factored into the CBA and could have a material impact on the actual costs of delivery.
22. The Ministry of Health will work with other key agencies and the University of Waikato to manage the risks where possible. The updated programme plan will still allow for Gateway and the independent quality assurances processes to run.
23. Although a CBA can be provided earlier it is only one part of the information Cabinet would usually need to make a decision on this investment. Information in the Programme Business Case and Detailed Business Case, such as the commercial and management cases (including procurement strategy, deliverability considerations), are vital to fully understanding the costs and feasibility of this investment, and the CBA cannot be considered in isolation.
24. s 9(2)(g)(i)
25. It is likely that the uncertainty of these costs will not be fully resolved through the Programme Business Case, as this will only give a very high-level view of the deliverability of the proposal. This increases the risk of unexpected cost escalation and scope change throughout the life of the project - these risks often materialize when funding decisions are taken ahead of understanding the full costs.
26. The Ministry of Education and Tertiary Education Commission have reiterated that there are flow on implications for the tertiary system if the proposal proceeds and with a shorter timeline there is increased uncertainty around the viability of the programme and the University of Waikato's ability to deliver it sustainably. Health New Zealand have also acknowledged that there are significant flow on implications for the health system and in the detailed design of the proposal.

CBA considerations

27. A key aspect of the CBA will be information on the options for consideration and information inputs from the University of Waikato, Health New Zealand, and the existing medical school providers (the University of Auckland and the University of Otago). It will also be dependent on information collected for the Financial Case in the Programme Business Case
28. s 9(2)(f)(iv)

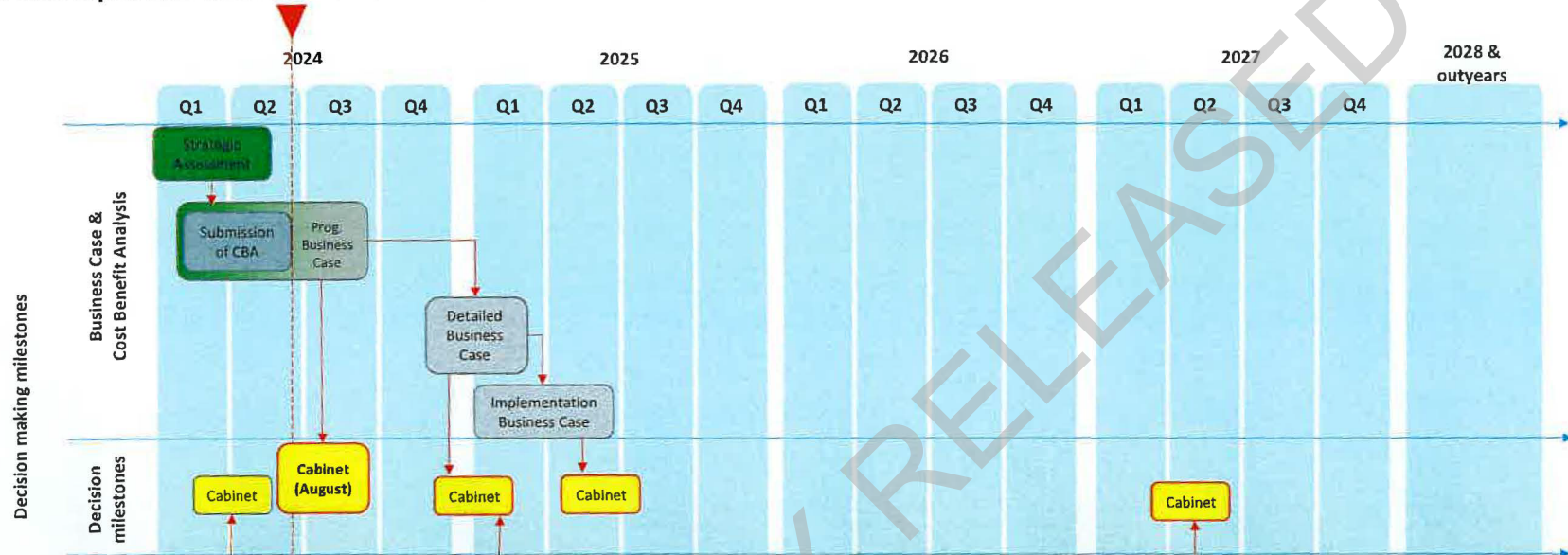
29. Officials are engaging with existing providers to ensure that we receive the necessary inputs for the CBA and that options reflect how they would deliver on the investment objectives. Officials are aware that a more formal proposal may be submitted by the existing Medical Schools, in which case this proposal would be a key input into development of the CBA rather than considered separately.
30. To enable the CBA to be submitted in July for consideration by Cabinet in August, we will work closely with the University of Waikato, Health New Zealand, and the existing medical schools:
- a. on the timeframes and CBA process and any information inputs required;
 - b. identify any information limitations or caveats;
 - c. accurately reflect the findings in the Programme Business Case.
31. We have signed a contract with the preferred provider, Sapere, who have undertaken to meet the new compressed time frames. We are working with them to revise milestones, work out a risk management approach and to support them shifting staff from other projects to the CBA (which might entail an increased fee). Officials will also lean in to facilitate engagement and information collection.

Next steps

32. The Ministry of Health, subject to your direction to the new timeframes will work with:
- a. The University of Waikato, Health New Zealand and the University of Auckland and University of Otago to ensure that they can provide all necessary information for the CBA within the new timeframes;
 - b. Sapere, to meet the requirements for submission of the CBA in August 2024.
33. As the previous approach has been agreed by Cabinet, we recommend that you discuss the updated timelines with your colleagues (Minister of Finance and Minister for Tertiary Education and Skills) and provide an oral update to Cabinet.

ENDS.

Appendix One: Expediated decision on a new medical school



s 9(2)(f)(iv)

s 9(2)(f)(iv)

Critical decision point to start delivery phase

Appendix Two: Work Plan for delivery of the Programme Business Case and Cost Benefit Analysis

Activity	Deadline
Draft Programme Business Case	18 June
External agencies review	24 June
IQA programme review (iterative feedback)	17 – 27 June
Receive draft CBA report	8 July
Gateway review	1 to 5 July
Finalisation of draft Programme Business Case post Gateway and CBA	11 to 19 July
Receive final CBA report ready for publication	18 July
Agency consultation on draft Cabinet paper and final PBC	29 July to 2 August
Ministerial consultation of Cabinet Paper	5 August to 9 August
Lodge with Cabinet	15 August
Consideration by EXP committee	21 August
Consideration at Cabinet	26 August