

Briefing for decision

Cover briefing for Cabinet Paper: Delegated approval process for Nelson Hospital redevelopment

Date due to MO: 13 February 2026 **Action required by:** 17 February 2026

Security level: BUDGET SENSITIVE **Reference:** H2025076581

To: Hon Simeon Brown, Minister of Health

Copy to: Hon Nicola Willis, Minister of Finance
Hon Chris Bishop, Minister for Infrastructure

Consulted: Health New Zealand:

Proactive release: This **title** is proposed by the Ministry of Health for proactive release:

Contact for telephone discussion

Name	Position	Telephone
Brent Johnston	Deputy Director-General, Performance and Governance Group	s9(2)(a)
John Hazeldine	Group Manager, Workforce and Infrastructure, Monitoring, Performance and Governance Group	s9(2)(a)

Minister's office to complete:

- Approved Decline Overtaken by events
- Needs change Seen
- See Minister's Notes Withdrawn

Comment:

Briefing for decision

Cover briefing for Cabinet paper: Delegated approval process for Nelson Hospital redevelopment

Security level: BUDGET SENSITIVE **Date:** 13 February 2026

To: Hon Simeon Brown, Minister of Health

Purpose of report

1. This paper provides a Cabinet paper requesting a revised delegated approval process for the Nelson Hospital redevelopment programme (refer Appendix 1).
2. We request you lodge the finalised Cabinet paper by **10 am Thursday 26 February 2026** for consideration at the Cabinet Expenditure and Regulatory Review Committee (EXP) meeting on **Tuesday 3 March 2026**.

Summary

3. You are asking Cabinet to agree to:
 - a. waive the requirement for Cabinet to approve a revised Programme Business Case for the Nelson Hospital Redevelopment.
 - b. delegate approval authority to the joint Ministers for Project 2's Approval to Deliver (remaining design, inpatient building and energy centre), due by June 2026, provided any cost overruns are met from existing funding sources (Health Capital Envelope or Health NZ baseline).
4. You are also requesting Cabinet to note:
 - a. the programme is experiencing cost pressures that Health NZ is actively value managing. Health NZ will report the outcome to you by 31 March 2026.
 - b. the Project 3 Detailed Business Case and associated funding will be subject to future Budget decisions.
5. Appendix 2 outlines talking points for the Cabinet meeting.

Cost pressures

6. Health NZ informed the Ministry of Health of a cost pressure of approximately s9(2)(f)(iv), Projects 1 and 2 in late January 2026 (refer Table 1). This estimate is based s9(2)(i) on a quantity surveyor estimate of the concept design (the earliest of four design stages) and has been peer reviewed by an independent quantity surveyor.

Table 1: Current estimate of cost pressures for the Nelson Hospital Redevelopment

Nelson Hospital redevelopment project	Crown funding	Revised	Shortfall
Project 1 enabling works and design approved and funded in July 2023	\$73.000m	s9(2)(f)(iv), s9(2)(i)	
Project 2 tagged contingency	s9(2)(f)(iv), s9(2)(i)		
Total			

7. Health NZ has informed us that the combined contingency and escalation provision is now s9(2)(f)(iv), s9(2)(i) of the project cost).
8. The current cost pressures reflect that when approval was sought in April 2025 for the scope changes to Project 1 and for the hybrid Programme Business Case and Detailed Business Case for Project 2, the proposals were at an earlier stage of planning and design than standard. For Project 2, Health NZ had not completed Concept Design. At the time, Health NZ advised that its p85 cost estimate was based on external cost estimates using multiple estimation methods.
9. Health NZ is actively working through value management to mitigate the identified cost pressure. Health NZ will report to you at the end of March 2026 with more robust cost estimates and options for the way forward.
10. We acknowledge the importance of value management, which is a standard practice for construction projects. We also note the importance of strong programme management to ensure that the gains from value management are not eroded by the time taken for the process to be completed.
11. We recommend that you share this briefing with the Minister of Finance and the Minister for infrastructure (joint Ministers) so they have visibility of the quantum of cost pressure. Health NZ will provide an update on the value management as part of its monthly reporting to joint Ministers.

Recommendations

We recommend you:

- | | |
|--|---------------|
| a) Forward this paper to the Minister of Finance and the Minister for Infrastructure for their information. | Yes/No |
| b) Lodge the finalised Cabinet paper, attached as Appendix 1, by 10 am Thursday 26 February 2026 , for consideration at the Cabinet Expenditure and Regulatory Review Committee (EXP) meeting on Tuesday 3 March 2026 , following Ministerial Consultation. | Yes/No |
| b) Note that talking points for Cabinet are attached as Appendix 2. | |



John Hazeldine
Group Manager
Workforce and infrastructure Monitoring
Date:

Hon Simeon Brown
Minister of Health
Date:

ENDS.

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Appendix 1 – Cabinet Paper

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Appendix 2 – Talking points

s9(2)(g)(i)

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