

In Confidence

Office of the Minister of Health

Cabinet Expenditure and Regulatory Review Committee

Amendment to Health Capital settings

- 1 I seek Cabinet's agreement to delegate the approval of baseline-funded health investments over \$100 million whole of life costs to the Ministers of Finance, Infrastructure and Health.

Relation to government priorities

- 2 Health capital settings support the commitment in the Government Policy Statement on Health 2024-27 to improve the resilience of the health system through maintaining and developing physical and digital infrastructure.

Executive summary

- 3 The current Health capital settings for investments funded from Health New Zealand (Health NZ) baselines require Cabinet approval if the planned whole of life costs exceed \$100 million [SWC-22-MIN-0063 refers].
- 4 When the settings were established, it was envisaged this approval level would apply to major capital investments. However, health projects with low capital costs may exceed the \$100 million threshold due to high operational costs of service delivery over the life of the investment (for example due to additional clinical staffing costs). These projects are mostly low or medium risk.
- 5 To enable Cabinet to focus its capacity and time on high-value and high-risk investments, I seek a change to the health capital settings. I propose that Cabinet delegates approval for baseline-funded investments over \$100 million whole of life costs to the Ministers of Finance, Infrastructure and Health (joint Ministers). In accordance with the Cabinet Manual, joint Ministers will refer baseline-funded investments to Cabinet when appropriate due to public interest, importance, or controversy.
- 6 The change would apply to new baseline-funded investments, and for recalculated whole of life costs for increases on previously approved projects funded from Health NZ baselines.
- 7 I do not propose changes to approval thresholds for baseline-funded investments that apply to me as Minister of Health (\$25 million-\$100 million or projects rated high risk) and the Health NZ Board (up to \$25 million for low to medium risk projects). I will consider changes to the threshold for the Health NZ Board following an assessment of Health NZ's investment and infrastructure management maturity. I will report back to Cabinet on potential changes by August 2026.

- 8 The capital settings that apply to health investments requiring funding from other sources remain unchanged.

Background

- 9 Capital settings specify thresholds and approval levels for funding of capital investments. In the health sector, these differ according to the funding source of investments.
- 10 There are currently three main sources of capital funding for health investments – Health NZ baseline funding; unallocated funding from past appropriations to the Health Capital Envelope Multi Year Appropriation (HCE MYA); and new Crown funding allocated to investments.

Baseline funding of health capital investments

- 11 Health NZ baselines are defined in this paper as funding from Health NZ cash reserves that are generated from operational funding provided to cover depreciation costs. For the 2025/26 financial year, Health NZ allocated funding of over \$900 million from its baselines to fund its annual capital plan. This is mostly used for small to medium- sized capital investments, with a focus on asset replacements, asset renewals, and budget increases on previously approved projects.
- 12 The health capital settings approved by Cabinet in 2022 apply to Health NZ's baseline-funded investments [SWC-22-MIN-0063 refers].

Other sources of funding for health capital investments

- 13 Prior to 2024, successive governments approved bulk appropriations of new Crown funding to the HCE MYA for allocation to major investments. An unallocated pool of s9(2)(j) (at November 2025) remains in the HCE MYA after known commitments for existing projects and potential capital returns.
- 14 Currently, the Minister of Finance and I hold the delegation to approve funding from the HCE MYA [CAB-00-MIN-20/4 refers]. In recent years, the Minister of Finance has chosen to delegate approval of unallocated HCE MYA to the Minister of Health, as the remaining balance is primarily used for budget pressures on previously approved HCE-funded projects.
- 15 All projects requiring new Crown capital funding require the approval of Cabinet (Cabinet Office Circular – Investment Management and Asset Performance in Departments and Other Crown Entities (CO (23) 9) refers).
- 16 Cabinet approval is also required if investments have the potential to involve alternative procurement methods, including private public partnerships (CO (23) 9; Treasury Circular – National Infrastructure Funding and Financing Ltd (Treasury Circular 2024/18 refer).

Analysis

Proposed change in approval level for baseline-funded investments over \$100 million

- 17 Last year, Cabinet approved a new investment for Christchurch Women’s Hospital Neonatal Unit and a minor capital budget uplift for the previously approved Christchurch Hospital Endoscopy Unit project [EXP-25-MIN-0075 refers]. Both investments are funded from Health NZ baselines. Each project has low capital costs of less than \$15 million, but high operating costs. This triggered the requirement for approval by Cabinet under the current capital settings for investments with whole of life costs of over \$100 million. Neither project was assessed as high risk.

It is important to me that Cabinet’s focus and time is reserved for high cost and high-risk projects. Consequently, I recommend the current approval level for investment proposals with planned whole of life costs over \$100 million is delegated from Cabinet to joint Ministers. In accordance with the Cabinet Manual, Ministers will keep their colleagues informed about matters of public interest, importance, or controversy. This means joint Ministers will refer baseline-funded investments over \$100 million for Cabinet approval where this is appropriate due to capital value, risk or public interest.

- 18 I propose this change will apply to new baseline-funded investments and baseline-funded cost increases on previously approved projects.
- 19 Table 1 sets out current and proposed approval thresholds and approval levels (the proposed changes are shaded).

	Current approval thresholds				Proposed amended approval thresholds			
Funding source								
Health NZ baselines [SWC-MIN-22-0063]		Health NZ Board	Minister of Health	Cabinet	Health NZ Board	Minister of Health	Ministers of Finance, Infrastructure and Health	Cabinet
	Whole of life cost	Up to \$25m	\$25 to \$100m	\$100m+	No change	No change	\$100m+ or high risk on referral from Minister of Health	On referral from joint Ministers in line with Cabinet responsibilities
		and	or					
Risk level	Low and Medium	High risk	-					
Health Capital Envelope MYA [CAB-(00)-MIN-20/4]	Minister of Finance and Minister of Health joint approval required, irrespective of amount; Minister of Finance may choose to delegate approval to Minister of Health; Minister(s) may seek Cabinet approval in line with Cabinet responsibilities – No change							
New Crown funding decisions	Cabinet approval required, irrespective of amount or risk (CO (23)9) – No change							

No proposed changes to capital settings for baseline-funded investments up to \$100 million

- 20 I am not currently recommending changes in approval thresholds for baseline-funded investments for me as Minister of Health (\$25 million-\$100 million or projects rated high risk) or the Health NZ Board (up to \$25 million for low to medium risk projects).

Increasing the approval threshold for the Health NZ Board, however, could speed up the approval processes for lower capital cost projects that are not high risk. I have asked the Ministerial Committee for Health Infrastructure to work with my officials to assess Health NZ's performance and provide me with recommendations for increasing the Board's approval threshold for low and medium risk projects. I intend to report back to Cabinet by August 2026 on potential changes to the approval threshold for the Health NZ Board.

No change in approval thresholds for funding from other sources

- 21 The unallocated HCE MYA funds are very limited, and the potential demands on the funds are high due to cost pressures on previously approved projects.
- 22 I consider it appropriate that approval rights over the HCE MYA remain with the Minister of Finance and me, as Minister of Health, to ensure the remaining funding is allocated to the Government's highest priority investments. The Minister of Finance can choose to delegate approval to the Minister of Health.
- 23 All new Crown funding requires Cabinet approval (CO (23) 9 refers).
- 24 Investments that have the potential to employ alternative financing or procurement methods over \$100 million, such as private public partnerships, require Cabinet approval (CO (23) 9; Treasury Circular 2024/18 refers).

Next steps

- 25 I will report back by August 2026 with recommendations on changes to the approval threshold for the Health NZ Board for low to medium risk projects funded from Health NZ baselines.

Financial Implications

- 26 There are no financial implications of this proposal as it relates to the delegation of an approval level and will not change capital expenditure.

Cost-of-living Implications.

- 27 There are no cost-of-living implications.

Legislative Implications

- 28 There are no legislative implications.

Impact Analysis

- 29 There are no regulatory proposals in this paper and a Regulatory Impact Statement is not required. A Climate Implications of Policy Assessment is not required.

Population Implications

30 There are no population implications.

Human Rights

31 There are no human rights implications of this proposal.

Use of external Resources

32 No external resources were used in the development of this paper.

Consultation

33 The following departments, agencies and entities have been consulted: The Treasury, Health NZ | Te Whatu Ora, and the Department of the Prime Minister and Cabinet.

Communications

34 This proposal does not require a public announcement.

Proactive Release

35 I propose the proactive release of this paper within 30 business days from the day the final decisions are taken to Cabinet. Any redactions will be made in accordance with the Official Information Act 1982.

Recommendations

The Minister for Health recommends that the Committee:

- 1 **Note** in April 2022, Cabinet approved the capital settings for investments funded from Health New Zealand (Health NZ) baselines [SWC-22-MIN-0063 refers]
- 2 **Agree** to delegate the approval level for investments over \$100 million whole of life costs funded from Health NZ baselines from Cabinet to joint approval of the Ministers of Finance, Infrastructure and Health (joint Ministers)
- 3 **Note** that joint Ministers in accordance with the Cabinet Manual (2023) will refer investments over \$100 million whole of life costs funded from Health NZ baselines to Cabinet based on public interest, importance, or controversy
- 4 **Agree** that should you agree to Recommendation 2 this will apply to new Health NZ baseline-funded investments and recalculated whole of life costs for baseline-funded cost increases on approved projects
- 5 **Note** that investments funded from the Health Capital Envelope Multi-Year Appropriation will continue to require the approval of the Minister of Finance and the Minister of Health[CAB-00-MIN-20/4 refers], with the Minister of Finance able to delegate approval to the Minister of Health.

- 6 **Note** that the Minister of Health will report back to Cabinet by August 2026 on potential changes to Health NZ's approval threshold for baseline-funded investments, subject to an assessment of Health NZ's investment maturity.

Hon Simeon Brown

Minister for Health