

Office of the Minister of Health

Cabinet Expenditure and Regulatory Review Committee

Delegated approval process for Nelson Hospital Redevelopment

Proposal

1. I seek Cabinet's agreement to waive the requirement for its approval of a revised Nelson Hospital Redevelopment Programme Business Case.
2. I also request that Cabinet delegate the approval of the Approval to Deliver for Project 2 to the Ministers of Finance, Infrastructure and Health (joint Ministers).

Relation to government priorities

3. Infrastructure is a priority in the 2024-27 Government Policy Statement on Health and is a critical health system enabler.
4. Investment in the Nelson Hospital Redevelopment will enhance economic development opportunities, supporting the Government's priorities for thriving and sustainable regions.

Executive summary

5. In April 2025, Cabinet approved a hybrid Programme and Detailed Business Case, which outlined the proposed approach for the Nelson Hospital Redevelopment and encompassed the Detailed Business Case for the core of the redevelopment (Project 2) [EXP-25-MIN-0030].
6. At that time, I intended to seek Cabinet's further approval of a revised Programme Business Case in mid-2025, updated scope and costings for Project 2 in late 2025, and the Approval to Deliver for Project 2 in quarter 2, 2026.
7. Health New Zealand (Health NZ) has not met the expected timelines for the revised Programme Business Case, and updated scope and costings - it needed more time to set up the required structures and processes to support this programme and had incomplete cost and risk information. I have confidence that Health NZ now has these structures and processes in place.
8. First, I request that Cabinet waive the requirement for a revised Programme Business Case. The overall programme remains broadly in line with that approved in the hybrid Programme and Detailed Business Case, previously approved by Cabinet.
9. Second, I request your approval to delegate the Approval to Deliver to the joint Ministers to allow rapid decision making. s9(2)(f)(iv)

s9(2)(f)(iv)

10. Health NZ will report monthly to joint Ministers on progress. Further assurance will be provided by the oversight of the Ministerial Committee for Health Infrastructure, which was established in July 2025.

Background

11. Project 2 of the Nelson Hospital Redevelopment is one of the top ten priorities in the Health Infrastructure Plan approved in principle by Cabinet in March 2025. All projects in the Health Infrastructure Plan are subject to relevant business case approval and Budget decisions [EXP-25-MIN-0008].
12. The currently approved Nelson Hospital redevelopment programme comprises:
 - 15.1 Project 1, enabling works and early design. In July 2023 Cabinet approved the original Programme Business Case and allocated \$73.0 million for Project 1 [SWC-23-MIN-0088]. It is due for completion mid-2027;
 - 15.2 Project 2, the new inpatient building, energy centre and refurbishment of portions of existing buildings. s 9(2)(j), s 9(2)(f)(iv)
 - 15.3 Project 3, seismic strengthening of acute service buildings. s 9(2)(f)(iv), s 9(2)(j)
13. Further information on the programme is attached in Appendix 1.
14. When the Nelson Hospital Redevelopment Programme Business Case was approved in July 2023 [SWC-23-MIN-0088], Health NZ anticipated that Project 2 would encompass a combined acute services building and inpatient building.
15. In late 2024, Health NZ changed its approach for the programme, with a focus on phasing and affordability. Instead of a new acute services building, Health NZ will now refurbish the current acute service buildings. Due to Budget 2025 timeframes, Health NZ did not revise the Programme Business Case in line with usual Better Business Case process. Instead, a hybrid Programme Business Case and Detailed Business Case was submitted to Cabinet (hybrid business case). The hybrid business case did not have the expected level of design to support Project 2.
16. In April 2025, when Cabinet approved the hybrid business case, it noted that I would seek further approval from it for [EXP-25-MIN-0030]:
 - 16.1 a revised Programme Business Case in mid-2025;

- 16.2 a finalised scope and updated costings for the Detailed Business Case (through a quantity surveyor estimate and Quantitative Risk Analysis based on at least Preliminary Design) in late 2025; and
- 16.3 an Implementation Business Case (now known as an Approval to Deliver) in Quarter 2, for the Nelson Hospital Redevelopment Programme 2026.
17. Through Budget 2025, in April 2025, s 9(2)(j), s 9(2)(f)(iv) and authorised the joint Ministers to draw down the tagged contingency subject to Cabinet’s approval of the Approval to Deliver [CAB-25-MIN-0126.78 Initiative No. 16683].
18. Health NZ was unable to meet the dates for Cabinet approval outlined in 16.1 and 16.2 as it needed more time to set up the required structures and processes to support this programme and to finalise the costing and complete risk assessment.

Cost pressures and financial implications

19. s9(2)(f)(iv)
20. s9(2)(f)(iv)
21. s9(2)(f)(iv)
22. As noted in the hybrid business case, once the programme is completed, the incremental operating cost will be met from Health NZ baselines. The estimated full year cost is approximately s9(2)(f)(iv)

Proposed process

23. To maintain the momentum on the delivery of this programme of work, while ensuring appropriate Ministerial oversight of the project and cost pressures, I recommend a revised approval process. I ask that Cabinet:
- 23.1 agree that a revised Programme Business Case is not required;
- 23.3 agree to delegate approval authority to joint Ministers for Project 2’s Approval to Deliver.
24. Health NZ will provide monthly reports to joint Ministers on progress with the value management of the cost pressures, scope and milestones, commencing 31 March

2026. Health NZ will report to Cabinet through the Treasury's Quarterly Investment Reporting process.

25. I have also put in place measures for additional assurance through the oversight of the Ministerial Committee for Health Infrastructure, which I established in July 2025. The Ministerial Committee for Health Infrastructure provides me with advice on Health NZ's capital portfolio, with a particular focus on large and high-risk projects, including the Nelson Hospital Redevelopment.
26. I continue to expect the Nelson Hospital Redevelopment programme will be delivered to approved scope, time and budget. Key milestones for the programme are outlined in Appendix 2.
27. If Health NZ's value management activities are not successful and the cost pressures remain when the Approval to Deliver is presented, Health NZ will present joint Ministers with options including change of scope and/or the provision of funding from Health NZ baselines and/or the Health Capital Envelope. I will seek Cabinet's approval in line with the Cabinet Manual should there be any significant implications.

Next steps

28. Joint Ministers will receive monthly reporting, commencing 31 March 2026.
29. Subject to your agreement to delegate, joint Ministers will consider Project 2's Approval to Deliver by June 2026 (including commercial terms and costings).

Investment Assurance

30. The Programme Business Case has been assessed as high risk using the Treasury's Risk Profile Assessment tool and moderation process.
31. The Programme Business Case Gate 0 Strategic Assessment was completed in September 2025. It gave this investment an Amber | Red delivery confidence assessment. The Action Plan and Health NZ's actions are attached as Appendix 3. Health NZ is addressing the actions required.
32. Health NZ will submit data on the Nelson Hospital Redevelopment for inclusion in the Treasury's Quarterly Investment Report.

Cost-of-living Implications

33. There are no cost-of-living implications associated with the proposals in this paper.

Legislative Implications

34. There are no legislative implications.

Impact Analysis

Regulatory Impact Statement

35. A Regulatory Impact Statement is not required.

Climate Implications of Policy Assessment

36. A Climate Implications of Policy Assessment is not required.

Population Implications

37. There are no population implications arising from the proposal in this paper.

Human Rights

38. There are no human rights implications arising from the proposal in this paper.

Use of external resources

39. While no external resources were used in the development of this paper, external resources were used to support the development of the original Programme Business Case and the Detailed Business Case of April 2025. The updated Programme Business Case assessed by the Gateway review was developed with internal Health NZ resources.

Consultation

40. The Treasury, Health NZ | Te Whatu Ora, the New Zealand Infrastructure Commission | Te Waihanga and the Department of the Prime Minister and Cabinet were consulted, and their comments have been incorporated into this paper.

Communications

41. No communications are required for this decision by Cabinet.

Proactive Release

42. As the content relating to Project 3 is Budget Sensitive, I propose to proactively release this paper and the associated Appendices with appropriate redactions on Project 3, 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 of Health recommends that the Committee:

- 1 **Note** that the Nelson Hospital Redevelopment programme is experiencing cost pressures and Health NZ is actively identifying options for value management.
- 2 **Note** that Health NZ will report the outcome of the value management activities to me by 31 March 2026.
- 3 **Agree** to waive the requirement for Cabinet to approve a revised Programme Business Case for the Nelson Hospital Redevelopment.

- 4 **Agree** to delegate approval authority to the Ministers of Finance, Infrastructure, and Health for Project 2's Approval to Deliver (remaining design, inpatient building and energy centre), due by June 2026.
- 5 **Note** that the Ministers of Finance, Infrastructure, and Health will monitor the progress of the project through monthly monitoring from Health NZ.
- 6 **Note** if Health NZ's value management activities are not successful and cost pressures remain when Project 2's Approval to Deliver is presented, Health NZ will provide joint Ministers with options including change of scope and/or the provision of funding from Health NZ baselines and/or the Health Capital Envelope.
- 7 s 9(2)(f)(iv), s 9(2)(j)

Authorised for lodgement.

Hon Simeon Brown

Minister of Health

PROACTIVELY RELEASED