MANATŪ HAUORA

Briefing for decision

Request to approve Facilities Infrastructure Remediation Programme (FIRP) Tranche 3 Approval to Deliver and draw down of Budget 2025 contingency

Date due to MO:	1 October 2025	**Action required by:**	N/A
Security level:	IN CONFIDENCE	**Reference:**	H2025072092
To:	Hon Nicola Willis, Minister of Finance Hon Chris Bishop, Minister for Infrastructure Hon Simeon Brown, Minister of Health		
Consulted:	Health New Zealand: ☒ The Treasury: ☒		
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	s 9(2)(a)
Chris Mitchell	Acting Group Manager, Workforce and Infrastructure Monitoring, Performance and Governance Group	

Minister's office to complete:

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☐ See Minister's Notes	☐ Withdrawn	

Comment:

Briefing for decision

Request to approve Facilities Infrastructure Remediation Programme (FIRP) Tranche 3 Approval to Deliver and draw down of Budget 2025 contingency

Security level:	IN CONFIDENCE	**Date:**	1 October 2025
To:	Hon Nicola Willis, Minister of Finance		
	Hon Chris Bishop, Minister for Infrastructure		
	Hon Simeon Brown, Minister of Health		

Purpose of report

1. This report requests approval of the Approval to Deliver for the Facilities Infrastructure Remediation Programme Tranche 3 and the draw down of the Budget 2025 tagged contingency for the investment programme.
2. The Treasury and Health New Zealand (Health NZ) have been consulted on the contents of this briefing.

Summary

3. In April 2025, Cabinet approved s 9(2)(j) for the FIRP Tranche 3 Detailed Business Case, subject to funding being made available in Budget 2025 [EXP-25-MIN-0013 refers].
4. A s 9(2)(j) tagged capital contingency was approved for FIRP Tranche 3 as part of Budget 2025 FIRP Tranche 3 including s 9(2)(j) for design work for the next stage of remediating Auckland City Hospital hot water pipes [CAB-25-MIN-0125.78 refers].
5. Cabinet authorised the Minister of Health, Minister of Finance, and the Minister for Infrastructure (joint Ministers) to draw down the tagged contingency by 30 June 2026, subject to the completion of the Approval to Deliver and other conditions.
6. Health NZ has not progressed all necessary planning and procurement to inform the Approval to Deliver. This may create a risk that the investment may not achieve its approved budget or delivery timeframe. However, these risks are mitigated by the low complexity of the projects and the level of contingency funding within FIRP. The Ministry of Health (the Ministry) and the Treasury recommend that you approve the Approval to Deliver so that the investment can proceed without further delay. We consider that the risks of cost and time increases associated with this approach should be managed by Health NZ, and that Health NZ should fund any increase in costs from its baseline funding.
7. Subject to your approval of the Approval to Deliver, the Ministry and the Treasury agree that the conditions of drawdown have been met, and we recommend that you approve the drawdown of s 9(2)(j) from the tagged contingency to the Health Capital Envelope (HCE).

8. Health NZ has advised that they will be preparing separate documentation for Stage 2 of Auckland City Hospital Domestic Hot Water Pipes Remediation to request the drawdown of the remaining s 9(2)(i) agged contingency.

9. Subject to your approval, works will commence in October 2025 with all works due to be completed by November 2028.

Recommendations

We recommend that you:

		Minister of Finance	Minister for Infrastructure	Minister of Health
a)	**Note** Budget 2025, Cabinet [CAB-25-MIN-0126.78 initiative 16682 refers]:			

- **agreed** to provide funding to address the risk to critical Auckland-based health services from ageing and degraded infrastructure that lacks resilience and the ability to meet current and future demands. Asset failure would significantly impact patients at Auckland City Hospital and the Greenlane Clinical Centre.
- **agreed** to establish tagged capital contingency in the health portfolio of the following amounts to provide for the above:

	$m – increases/(decrease)					
	2024/25	2025/26	2026/27	2027/28	2028/29 & outyears	Total
Capital Contingency	-	s 9(2)(i)			-	s 9(2)(i)
Total	-	s 9(2)(i)			-	

- **noted** that on 1 April 2025, the Cabinet Expenditure and Regulatory Review Committee approved the Detailed Business Case for the Facilities infrastructure Remediation Programme (FIRP) Tranche 3 [EXP-25-MIN-0013]
- **noted** that this initiative includes capital funding of up to s 9(2)(i) s 9(2)(i) for design work for the next stage of remediating Auckland Hospital hot water pipes, and that funding to complete the works will likely be sought in Budget 2026.
- **authorised** the Minister of Health, Minister of Finance and Minister for Infrastructure jointly to draw down the tagged contingency, subject to:
  - approval of the Implementation Business Cases by the Minister of Health, in consultation with the Minister of Finance and the Minister for Infrastructure [EXP-25-MIN-0013];

	• Health New Zealand confirming that any project to be progressed using this funding have sufficient funding to continue to completion and/or the next off-ramp; • Health New Zealand providing accurate up-to-date data on new and in-flight investments to the Treasury through the Quarterly Investment Report (QIR). o **agreed** that the expiry date for the above tagged contingency be 30 June 2026.			
b)	**Approve** the Approval to Deliver (at Appendix 1) for FIRP Tranche 3 which will satisfy the first Cabinet's draw down conditions listed in recommendation a).	Y/N	Y/N	Y/N
c)	**Agree** to Health NZ's proposal in the Approval to Deliver that it manages the allocation of the programme contingency across the individual projects within FIRP Tranches 1, 2 and 3. Any additional funding will be met from Health NZ's cash reserves ensuring the second Cabinet draw down condition in recommendation a) is met.	Y/N	Y/N	Y/N
d)	**Note** that Health NZ completed a Treasury Risk Profile Assessment for this investment programme and was rated as medium risk and will provide the relevant project reporting and assurance requirements to satisfy the third Cabinet draw down condition in recommendation a).			
e)	**Agree** to the extension of time for the completion of delivery for Tranche 3 from September 2028 to November 2028 and the proposed rephasing of the tagged contingency as follows:	Y/N	Y/N	Y/N

	$ millions – increase / (decrease)					
	2025/26	2026/27	2027/28	2028/29	2029/30 & outyears	Total
Facilities Infrastructure Remediation Programme (FIRP) Tranche 3 – Critical Auckland Infrastructure tagged contingency						
Rephasing	s 9(2)(b)(ii)					
Updated contingency balance						

f)	**Agree** to Health NZ's request that the contingency for Tranche 3 is added to the FIRP contingency pool and can be used across all approved tranches.	Y/N	Y/N	Y/N
g)	**Agree** that the conditions for draw down of the tagged capital contingency described in recommendation a) are satisfactorily met and the contingency allocated for FIRP Tranche 3 of s 9(2)(b)(ii) can be drawn down.	Y/N	Y/N	Y/N

h)	**Approve** the following changes to appropriations to provide for the decision in recommendation f) above, with a corresponding impact on net core Crown debt:	**Y/N**	**Y/N**	**Y/N**

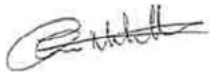
Vote Health **Minister of Health**	$ millions – increase / (decrease)					
	2025/26	2026/27	2027/28	2028/29	2029/30 & outyears	Total
Non-departmental Capital Expenditure: Health Capital Envelope MYA	s 9(2)(b)(ii)					
Total Capital						

i)	**Note** that the amounts shown in the appropriation changes table in recommendation h) reflect the changes to the indicative annual spending profile with the exception of the 2026/27 financial year as this is the last year of the Health Capital Envelope MYA and will be rephased out to 2028/29 once a new Health Capital Envelope is established for the next 5-year period.			
j)	**Note** that the indicative funding profile for the above drawdown in recommendation h) is as follows and the spending profile from 2027/28 to 2029/30 will be reflected in the new MYA once it is established.			

	$ millions – increase / (decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & outyears
Indicative annual spending profile	s 9(2)(b)(ii)				-

k)	**Agree** that the proposed changes to appropriations for 2025/26 in recommendation h) above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.	**Y/N**	**Y/N**	**Y/N**
l)	**Agree** that capital expenditure incurred under recommendation h) above be charged against the Budget 2025 contingency described in recommendation a) above.	**Y/N**	**Y/N**	**Y/N**
m)	**Note** that following the drawdown of funding detailed in recommendation h) above, the remaining balance and indicative phasing of the tagged capital contingency is as follows. Health NZ will submit a separate request for the draw down of the remaining amount.			

		2025/26	2026/27	2027/28	2028/29	2029/30 & outyears	Total		
	Capital Contingency	s 9(2)(b)(ii)							
	Total								
n)	**Agree** that any unspent funds from the drawn down contingency can be retained in the Health Capital Envelope							**Y/N**	**Y/N**	**Y/N**



Chris Mitchell
Acting Group Manager, Workforce and Infrastructure Monitoring
Performance and Governance Group
Date: 1 October 2025

Hon Nicola Willis
Minister of Finance
Date:

Hon Chris Bishop
Minister for Infrastructure
Date:

Hon Simeon Brown
Minister of Health
Date:

Request to approve Facilities Infrastructure Remediation Programme (FIRP) Tranche 3 Approval to Deliver and draw down of Budget 2025 contingency

Background

1. Budget 2025 [CAB-25-MIN-0126.78 refers] established a tagged capital contingency of s 9(2)(b)(ii) for Tranche 3 of Facilities Infrastructure Remediation Programme (FIRP).

2. FIRP Tranche 3 will reduce the risk of asset failure at Auckland City Hospital and Greenlane Clinical Centre. This will support health services, enable planned growth, and improve cost effectiveness and environmental sustainability.

Cabinet delegation of approval to draw down

3. Cabinet delegated approval of the draw down of the tagged contingency to the Ministers of Health, Finance, and Infrastructure (joint Ministers), subject to three conditions:

   i. approval of the Implementation Business Cases by the Minister of Health, in consultation with the Minister of Finance and the Minister for Infrastructure

   ii. confirmation that any project to be progressed using this funding have sufficient funding to continue to completion and/or the next off-ramp.

   iii. Health New Zealand providing accurate up-to-date data on new and in-flight investments to the Treasury through the Quarterly Investment Report.

4. Draw down of the tagged contingency is to be made by 30 June 2026. The funding will be drawn down into the Health Capital Envelope (HCE), which is administered by the Ministry.

5. Subject to joint Ministers' approval of the Approval to Deliver, the Ministry and the Treasury agree the conditions for draw down of the tagged contingency have been met.

Condition (i): Approval of Implementation Business Cases

6. We recommend that joint Ministers approve the Approval to Deliver, which is attached in **Appendix 1**. However, we note that Health NZ's submission does not meet expectations.

7. The Approval to Deliver is the final approval point. The purpose of the Approval to Deliver is to seek approval to enter the negotiated commercial contracts with the preferred suppliers to commence delivery of the investment.

8. In this instance, Health NZ has not progressed the planning and procurement and therefore is not ready to commence delivery. Health NZ has stated that the lack of progress was due to the tagged contingency constraining the amount of planning work that it could complete to support the Approval to Deliver. Health NZ intends that

procurement activities for each workstream will be completed after the Approval to Deliver has been approved and the tagged contingency drawn down.

9. The Ministry and the Treasury believe the expectations of the Approval to Deliver are clear and that Health NZ should have maintained expected progress and provided sufficient information to support the Approval to Deliver.

10. Approving the Approval to Deliver without detailed planning and confirmed market pricing creates a risk that the workstream procurement activities, costs and timeframes may differ from the approved business case. We consider that this risk is mitigated by the proposed types of investment and the level of contingency within the FIRP programme.

11. Health NZ has updated its delivery timelines since the business case was submitted. The forecast end date has increased by two months (from September 2028 to November 2028).

12. Health NZ proposes to rely upon the existing FIRP programme frameworks for management, governance and procurement of FIRP Tranche 3. We support this approach.

13. Earlier tranches of FIRP experienced programme delays due to the complexity of works (eg, new Central Power Building and Service Tunnel and lack of work force capability). However, recent years have shown an improvement in performance as the work force has gained experience, and the remaining work is less complex.

14. At the time of Cabinet approval, Health NZ indicated its intention to complete 5 Implementation Business Cases (one for each of the workstreams). Health NZ has now submitted a single Approval to Deliver (which replaces the Implementation Business Case). The Ministry and the Treasury support a single Approval to Deliver (consistent with our advice at the time of the original approval).

15. Approval of the Approval to Deliver would satisfy the first draw down condition.

Condition (ii): Confirmation that projects progressed will have sufficient funding to completion or next off-ramp

16. Health NZ requests that the s 9(2)(b)(ii) Tranche 3 programme contingency be included in the FIRP contingency pool for use across all approved tranches. The current balance of the FIRP Tranches 1 and 2 programme contingency pool is s 9(2)(b)(ii) Additionally, each FIRP project has its own contingency fund, currently s 9(2)(b)(ii) of unused project contingency. When a project is completed, unused project contingencies are transferred to the FIRP programme contingency pool to manage potential cost pressures within the approved FIRP programme. Any changes will be signalled to Ministers in Health NZ's monthly Capital Update reporting.

17. In addition, if required, Health NZ states it will fund any overruns from its own cash reserves once the s 9(2)(b)(ii) from the Budget Initiative has been allocated.

18. The Ministry and the Treasury agree the above process meets the second draw down condition.

Condition (iii): Health NZ to provide accurate up-to-date data on new and inflight projects to the Treasury Quarterly Investment Report (QIR)

19. Cabinet Office Circular CO (23) 9 requires Health NZ to report all medium- and high-risk projects to the Treasury through the QIR. FIRP has been assessed as medium-risk and will meet the relevant reporting requirements.

20. The Ministry and the Treasury agree this condition is met.

Payment of Crown capital

21. Following joint Ministers' approval of the draw down of the FIRP Tranche 3 Budget 2025 tagged contingency to the HCE, Health NZ will access the funding using the existing monthly payment process currently used for the rest of the Crown-funded health portfolio. This is based on substantiated costs claimed in arrears through the Ministry.

Inclusion of planning and design work for the hot water pipes

22. Cabinet supported the inclusion of s 9(2)(b)(ii) in the FIRP Tranche 3 tagged capital contingency for the planning and design work for the next stage of Auckland City Hospital's domestic hot water remediation work. Health NZ will submit a separate request for the draw down of the Budget 2025 tagged contingency by 30 June 2026.

Equity

23. The Budget initiative will help address the asset condition of the health estate, which will support meeting the needs of populations, including those in areas of high deprivation.

Next steps

24. Health NZ will commence reporting on the programme in the Monthly Capital Update to be provided to the Minister of Health in late 2025.

ENDS.

Appendix 1: Facilities Infrastructure Remediation Programme (FIRP) Tranche 3 Approval to Deliver

Approval to Deliver (ATD)

Health New Zealand

Auckland Facilities Infrastructure Remediation Programme Tranche 3

Prepared by:	Peter Talarico
Prepared for:	Minister of Health, Minister for Infrastructure, Minister of Finance
Date:	14/08/2025
Version:	*0.1*
Status:	Draft

Health New Zealand Auckland Facilities Infrastructure Remediation Programme Tranche 3

Approval to Deliver

Document Control

Document Information

Document ID	
Document owner	Allan Johns
Issue date	3 September 2025
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Document History

Version	Issue date	Changes
0.1	20/08/2025	

Document Review

Role	Name	Review Status
Programme Director	Allan Johns	

Document Sign-off

Role	Name	Sign-off Date
Senior Responsible Owner/Project Executive	Chris Cardwell	

Approval to Deliver Summary

The investment will continue the remediation of the most critical assets at Auckland City Hospital and Greenlane Clinical Centre, provide electrical site resilience, progress alternative heating options, improve overall building safety and efficiency, and improve site safety. The Detailed Business Case (DBC) was approved by the New Zealand Cabinet on 01 April 2025. There have been no material changes to the strategic case since the business case approval.

It was assumed that the business case approval would enable drawdown of funds for design and procurement to commence. Initial seed funding for the FIRP 3 business case of s 9(2)(b)(ii) was funded partly through some internal Health New Zealand funding and some FIRP Tranche 2 funding, these have been fully expended.

The approved option of the Detailed Business Case as the do minimum option. It focuses investment on the most critical risks to assets on the two sites to ensure that critical services clinical services can continue with minimal disruption at New Zealand's largest hospital.

The ministerial sign off of the Approval to Deliver is a requirement for the release of the tagged contingency funding. Although the procurement was planned in multiple stages, the Treasury have advised that a single ATD business case is acceptable.

A single Approval to Deliver will provide the following benefits:

- faster decision making to support the progression of delivery.
- early approval of funding will also release funding for design work to reduce risk and accelerates the progression of work packages.
- greater ability to accelerate procurement and therefore delivery that reduces the risk of asset failure that would impact clinicians' ability to provide a high quality of healthcare in Auckland.

In progressing with the Approval to Deliver business case ahead of final confirmation of cost of some work packages, Health NZ confirms it will not seek any additional crown funding for any cost pressures that emerge. Instead, Health NZ will identify options for Ministers to manage any cost pressures through the funding from the FIRP overall programme contingency funds, already appropriated funds (health capital envelope or depreciation funded), or management of scope.

The progression of a single Approval to Deliver business case supports the forward progression of the work packages as set out in the Detailed Business Case. This means that the commercial, financial and management cases for this investment are still consistent with the approved Detailed Business Case.

The scope of Tranche 3 is unchanged from the DBC. It is summarised as follows:

- ASW.30 High Risk/Highly Critical Assets
- ASW.31 Sitewide Electrical Resilience
- ASW.32 Alternative Heating
- ASW.33 Technology Upgrades
- ASW.35 Asbestos Removal

The main change is the timing of the commencement of the work streams. This reflects:

- The impact of a period of time where the process for drawdown of the tagged contingency funds has been clarified (the original assumption of the detailed business case was that the funding would be appropriated to the Health Capital Envelope)
- The revision of the timelines of the work programme to reflect the staggered procurement activity

Forecast timings for delivery of the recommended options in the DBC are summarized below:

Table 1: Indicative Workstream Timings

Key activities/milestones	***Timeframe / Estimated date***
ASW.30 High Risk/Highly Critical Assets	s 9(2)(b)(ii)
ASW.31 Sitewide Electrical Resilience	
ASW.32 Alternative Heating	
ASW.33 Technology	
ASW.35 Asbestos Removal	
**Schedule contingency*	

Note that some durations have changed as we have been doing some work in the background, and that these changes have no cost impact. Also note from the previous draft ATD to this one, that we have pulled back two-months of programme already (from s 9(2)(b)(ii)).

These timings have now been revised as follows:

Table 2: Key activities/milestones during the Investment delivery phase

Key activities/milestones	**Timeframe / Estimated date**
ASW.30 High Risk/Highly Critical Assets	s 9(2)(b)(ii)
ASW.31 Sitewide Electrical Resilience	
ASW.32 Alternative Heating	
ASW.33 Technology	
ASW.35 Asbestos Removal	
**Schedule contingency*	

It is important to note that the approved Detailed Business Case assumed that funding could be available in April 2025 using both internal Health New Zealand funding available and the approved DBC funding from Budget 25 from July 2025.

Commercial Case

Selection of preferred suppliers

Compliance with Government Procurement Rules

The process followed complies with the Government Procurement Rules.

Future Procurement will follow the pathways outlined in the approved Detailed Business Case. Several specialist resources required are already engaged delivering works in FIRP Tranche 1 and FIRP Tranche 2 and will continue to deliver works in FIRP Tranche 3.

Approach to the market

The approach to market will follow the pathways outlined in the approved Detailed Business Case. Typically, this will be via a secondary procurement process of consultant/contractor panels. If a project is large or complex the market will be approached via GETS.

The programme procurement approach was described in the FIRP Strategic Procurement Plan, agreed with the New Zealand Government Procurement and Property and approved as part of the Programme Business Case.

FIRP is principally responsible for the initiation process of projects within FIRP, and the approvals to proceed with procurement of resources for projects. All procurement activities will comply with the Northern Region Procurement Policy (May 2022), the Facilities and Development Procurement Procedure (v7 June 2021), and the Government Procurement Rules. The Government Directive ensuring skills training, diversity and development for the region is considered as part of the process.

There is no single procurement/delivery approach for FIRP, as there are several workstreams with varying levels of complexity. This means that the approach to the market will differ from project to project. Applying lessons learnt from Tranche 1 and 2, the methods for approaching the market to undertake works will fall into one of the following categories (depending on scope and risk):

- **Secondary procurement via the existing consultant and procurement panels:** Consultants and contractors on these panels are already prequalified, and the panels are typically used for low to medium size and risk projects.
- **Large, high risk, or complex projects:** The market will be approached via GETS and will typically be a one-stage procurement unless there is a high level of complexity, in which case it will likely be a two-stage process. For larger tenders, a separate probity auditor is present at all procurement meetings.
- **Low risk and/or low value works:** Direct procurement will be undertaken with incumbents with quotes requested from at least two suppliers where possible.

As designs develop for the workstreams within Tranche 3, opportunities to amalgamate and bundle scope to increase the attractiveness to the market is ongoing. Consequently, procurement strategies will evolve as more investigative work and market analysis is undertaken. Detailed procurement strategies and plans are documented for the various workstreams for the record as part of the Project Lifecycle, which is the responsibility of the FIRP delivery team. Procurement will not commence until the procurement committee has signed off all relevant plans and documentation.

There will be more than one delivery model for the Tranche workstreams, as each workstream has different levels of complexity and risk that will factor into the agreed delivery models. The following delivery models are expected to be utilised as follows:

- **ASW.30 High Risk and Highly Critical Assets:** s 9(2)(b)(ii) s 9(2)(b)(ii)
- **ASW.31 Sitewide Electrical Resilience:** s 9(2)(b)(ii) s 9(2)(b)(ii)
- **ASW.32 Alternative Heating:** s 9(2)(b)(ii) s 9(2)(b)(ii)
- **ASW.33 Technology Upgrades:** s 9(2)(b)(ii) s 9(2)(b)(ii)

ASW.35 Asbestos Removal: s 9(2)(b)(ii) s 9(2)(b)(ii)

Current planned tender periods dates for the projects,are as follows:

ASW.30 High Risk and Highly Critical Assets

- Building A01
- Building A02
- Building G04

s 9(2)(b)(ii)

ASW.31 Sitewide Electrical Resilience

- Substations

s 9(2)(b)(ii)

ASW.32 Alternate Heating

- Building A31
- Building A15 & A35

s 9(2)(b)(ii)

ASW.33 Technology

- Sensors

s 9(2)(b)(ii)

ASW.35 Asbestos

- Not applicable (supports other workstreams)

Please note the following qualifications:

- Assumes ATD approval in September 2025.
- Briefing is yet to be complete and some of the scope may be altered (which the Business Case allows for, as this is a risk-based programme of work).
- We will endeavor to mitigate programme impacts (outside of our control) – this means that some of these dates may be brought forward.

Evaluation of supplier offers

The approach for tender evaluations will follow the outlined pathway in the approved Detailed Business Case. Each project will have a procurement strategy and plan, that will be enacted as part of the procurement process.

Supplier contract arrangements

Negotiated payment arrangements

Payments will as per the panel agreements executed under secondary procurement, or as per the standard clauses outlined in the HNZ standard Minor Works and NZS series of contracts.

Negotiated contract type and key clauses

Contracts will align with what is outlined in the approved Detailed Business Case; those being existing contracts under panel arrangements, or that being HNZ standard Minor Works and NZS series of contracts.

Negotiated contract milestones

Anticipated contract milestones will be outlined in the procurement plans and tender documentation. These will be negotiated and agreed with suppliers as part of Contract Award.

Negotiated risk allocation

Risk allocation will align with what is outlined in the approved Detailed Business Case. Typically, this will cover Financial, Site, Design, Construction and Consent considerations.

Financial Case

Financial analysis and implications of the deal

Financial modelling

The Financial Model and the key assumptions made remain unchanged from what is in the approved Detailed Business Case. The timing of the capital cashflow has been updated.

The key assumptions in the financial model are:

1. Capital costs are fully funded from Budget 2025.
2. There is no additional revenue generated.

Table 3: *Investment summary table (nominal, $m)*

Current cost estimates	**$m**	**Capex**	**Opex**	**Total**
Actual project spend to date:	at 15-Sep-2025	0		0
Estimate to complete this project (Capital costs)		s 9(2)(b)(ii)		
Programme contingency (included in the amount above)				
Total Operating Costs (over 20 years) - incl deprn				

The expected WOLC of the revised Tranche 3 scope is s 9(2)(b)(ii) over 20 years. This is partly due to s 9(2)(b)(ii) of energy cost savings over the life of the project.

Contingencies, funding risk and benchmarking

Contingency allowances are as per the approved Detailed Business Case and align with lessons learnt in delivering FIRP Tranche 1 & 2, and the HNZ IIG Cost Guideline.

It is requested that Health New Zealand programme contingency is to be held by the Chief Financial Officer and is only to be accessed after funding held by the Programme Steering Group is exhausted. It was agreed that Tranches 1 and 2 could manage contingency at a programme level and not as separate projects. It is proposed that contingency for Tranche 3 is added to that pool and managed in the same way with same levels of approval for contingency use.

Unused contingency for FIRP Tranches 1, 2 and 3 at the end of the programme should be returned to the Health Capital Envelope.

Table 4: FIRP Tranches 1 and 2 Remaining Contingency Budget

FIRP Contingency Budget		Current Remaining Contingency Budgets ($)
FIRP Tranche 1 Projects	Programme Contingency	s 9(2)(b)(ii)
FIRP Tranche 1 Projects	HNZ Held Contingency	
FIRP Tranche 1 Projects	**Total**	
FIRP Tranche 2 Projects	HNZ Held Contingency	
Total FIRP Tranches 1 and 2 Projects	**Total**	

Funding sources

Funding sources are as per the approved Detailed Business Case – the following table summarises the requirements.

The s 9(2)(b)(ii) was approved in Budget 2025 and is currently in tagged contingency

Table 5: *Proposed Funding Sources*

Source	Amount ($000)		
	Crown Capital B25	Operating	Total
Crown Capital	s 9(2)(b)(ii)		
Health New Zealand			
Total			

Impacts on financial statements

The financial impacts over the intended lifespan and assets to be created or disposed are as described in the business case. There is no change to financial impacts due to the current level of procurement planning.

Additional documents with more detailed financial information from the Detailed Business Case is included as Annex 2. Other documents are listed in the business case and are available on request.

Overall affordability

This capital investment requires an addition to operating costs of s 9(2)(b)(ii) over a 20-year timeframe. The additional cost is depreciation funding required offset by Utility savings. This increase will be met from Health NZ baseline budget for years FY25 to FY44.

The Chief Executive has signified their agreement to the level of funding required. The Chief Executive's letter is attached as Annex 1.

Management Case

Project and programme management

The programme and project management approach are as per what is documented in the approved Detailed Business Case. The Programme Execution Plan developed for FIRP Tranche 1 & 2 will be used for the delivery of the FIRP Tranche 3 Business Case.

This is a living document and is contained with the approved Detailed Business Case.

As outlined in the approved Detailed Business Case (and further prior approved Business Cases), FIRP is a risk-based portfolio of projects that is scoped and briefed based on existing levels of risk to site, meaning that project briefing and planning is constantly revisited to ensure that the right infrastructure assets are being addressed.

The updated approved Detailed Business Case dates would be as follows:

Table 6: Updated Programme Indicative Dates

ASW.30 High Risk/Highly Critical Assets	**Indicative Dates** s 9(2)(b)(ii)
• Planning	
• Procurement (technical)	
• Design	
• Procurement (contractor)	
• Construction & Handover	
ASW.31 Sitewide Electrical Resilience	
• Planning	
• Procurement (technical)	
• Design	
• Procurement (contractor)	
• Construction & Handover	
ASW.32 Alternative Heating	
• Planning	
• Procurement (technical)	
• Design	
• Procurement (contractor)	
• Construction & Handover	
ASW.33 Technology	
• Planning	
• Procurement (contractor)	
• Construction & Handover	
ASW.35 Asbestos Removal*	

Schedule Contingency	Through to November 2028

ASW.30 High Risk/Highly Critical Assets	Indicative Dates
• Planning	s 9(2)(b)(ii)
• Procurement (technical)	
• Design	
• Procurement (contractor)	
• Construction	
• Commissioning	
• Handover	
ASW.31 Sitewide Electrical Resilience	
• Planning	
• Procurement (technical)	
• Design	
• Procurement (contractor)	
• Construction	
• Commissioning	
• Handover	
ASW.32 Alternative Heating	
• Planning	
• Procurement (technical)	
• Design	
• Procurement (contractor)	
• Construction	
• Commissioning	
• Handover	
ASW.33 Technology	
• Planning	
• Procurement (contractor)	
• Construction	
ASW.35 Asbestos Removal*	
Schedule Contingency	

* this is a support workstream where works are carried out as and where required to enable construction activities on site.

It is important to note that it is now September 2025 (vs. advised August 2025 funding timelines) which will impact on the timings noted above and push back programme further and likely incur additional costs due to escalation.

Project and programme governance

The Senior Responsible Owner is Christopher Cardwell (Head of Infrastructure Northern Region, Infrastructure and Investment Group).

The Programme Director is Allan Johns (Programme Director FIRP, Infrastructure and Investment Group).

The balance of the team structure is outlined in the approved Detailed Business Case.

Project management plan

Specific project management plans will be developed in line with the Programme Execution Plan referenced in the approved Detailed Business Case, as and when project are created.

Stakeholder reporting and communications

The key stakeholders remain unchanged from what is in the approved Detailed Business Case.

For more detail refer to the Programme Execution Plan.

Change Management Arrangements

Managing the change process

The change management process is documented in the Programme Execution Plan.

Benefits Management Arrangements

Benefits Realisation Plan

The Benefits Realisation Plan aligns with philosophy outlined in the plan in use for FIRP Tranche 1 & 2, as approved in the Detailed Business Case.

Risk Management Arrangements

Summary

Detailed risk registers for projects will be prepared as and when projects are created, as outlined in the approved Detailed Business Case. The risk management process is outlined in the Programme Execution Plan.

Programme level risks from the approved Detailed Business Case are summarised in Table 5.

Table 7: Key material risks

	Key material risk	Prob. (H,M,L)	Impact (H,M,L)	Mitigation comments
1	Serious harm or fatal incident on site.	H	H	Leverage lessons learnt and processes from FIRP Tranche 1 & 2.

				Use dedicated H&S resource from FIRP Tranche 1 & 2 to manage works.
2	Disestablishment of the FIRP PMO – loss of expertise.	H	H	Maintain key roles that relate to the works.
3	Liquidation events of contractors/ subcontractors	H	H	Enhanced due diligence prior to award of contracts. Leverage existing FIRP Tranche 1 & 2 relationships to gain early warning and gather market intelligence.
4	Inadequate resource (capacity and capability)	H	H	Leverage existing arrangements from FIRP Tranche 1 & 2. Establish clear pipeline for the market to be able to respond to.
5	Disruption to clinical service	H	H	Leverage existing processes and relationships from FIRP Tranche 1 & 2, to communicate with clinicians. Ongoing use of the Event Planning system.

Note that the risks in this table are rated pre-mitigation – full descriptions and mitigations are documented in the approved Detailed Business Case.

Contract and Service Management Arrangements

Summary

As and when projects undergo the procurement process, senior, competent and capable persons will be named in the various contracts to manage both the works and the relationships with suppliers.

Assurance and Post-project Arrangements

Quality management

Quality management will be as per the approved Detailed Business Case. For more detail refer to the Programme Execution Plan.

Assurance and Gateway Reviews

The assurance pathway will be as per what is documented in the approved Detailed Business Case.

Post-project reviews

A post-implementation review is planned for 3-months after the completion of works to confirm that the new facilities are operating as intended and delivering the services proposed in the

business case, and to identify any lessons learned from the management of the project/tranche that can be applied to future projects or projects in other agencies.

This project is required to report annually on investment realisation for three years post-delivery via the June Quarterly Investment Report (QIR).

This project will not undertake a Gateway review 5 (Operational and Benefits Realisation) review.

Annex 1: Chief Executive's letter

[date]

[To whom it may concern]

Approval to Deliver

This Approval to Deliver is a significant deliverable of a major strategic initiative by Health New Zealand to meet future facility infrastructure requirements for Auckland.

I confirm that:

I have been actively involved in the development of the attached investment proposal through its various stages

i. *I accept the strategic aims and investment objectives of the investment proposal, its functional content, size and services*

ii. *the financial costs of the proposal can be contained within the agreed and available budget*

iii. *the organisation has the ability to pay for the services at the specified price level*

iv. *the agency has the capability and capacity to ensure successful delivery of the work*

v. *suitable contingency arrangements are in place to work with suppliers to address any current or unforeseen affordability pressures.*

This letter fulfils the requirements of the current Treasury Better Business Cases guidance. Should either these requirements or the key assumptions on which this case is based change significantly, revalidation of this letter of support will be sought.

Yours sincerely

Dr Dale Bramley

Chief Executive

Health New Zealand

Annex 2: Documents supporting this business case

The Senior Responsible Owner attest that:

- The planning and control documents summarised and referenced in this Approval to Deliver (listed below) are in place or substantially under development and will be the basis for management of this (project/tranche).
- The agency has project management structures, plans and processes in place to ensure successful delivery.

These documents are available to decision-makers, central agencies, system leaders and monitoring agencies for review.

Contact s 9(2)(a) for a copy.

#	Title	Version	Date	Comment
	Previous (Detailed) business case	2.3	11.12.2024	Signed off by Cabinet 08-April-2025
	Current Programme Execution Plan	3.0	01.08.2023	To be updated

Annex 3: Financial Case Information

The below information is directly from the Detailed Business Case approved by the Cabinet on 5 April 2025. There has been no update to financial information for the Auckland Facilities Infrastructure Remediation Programme Tranche 3 other than an update to the cash flow timing of the capital spend.

Overall Financial Summary

The expected WOLC of the revised Tranche 3 scope is s 9(2)(b)(ii) over 20 years. This is partly due to approx. s 9(2)(b)(ii) of energy cost savings over the life of the project. These help to offset the initial capital costs of s 9(2)(b)(ii)

The recommended option is only affordable if further funding is provided by Health NZ. The overall affordability is summarised in Table 3: *Investment summary table (nominal, $m)*

Current cost estimates	$m	Capex	Opex	Total
Actual project spend to date:	at 15-Sep-2025	s 9(2)(b)(ii)		
Estimate to complete this project (Capital costs)				
Programme contingency (included in the amount above)				
Total Operating Costs (over 20 years) - incl deprn				

8.

Table 8: Summary of the Overall Affordability of Tranche 3

Item	Value
Capital costs ($000) – excluding seed funding	s 9(2)(b)(ii)
WOLC ($000)	
Assessment period (years)	
First full year incremental operational cost – excl. capital charge; incl. depreciation ($000)	
Depreciation charge ($000)	
External revenue ($000)	-

Key Financial Changes

Impact on Tranche 3 Cost

The revised scope of Tranche 3 has evolved from the approach outlined in the Programme Business Case, in response to the changing environment and priorities. The Tranche 3 projected cost has decreased in comparison with the indicative Tranche 3, 4 and 5 total cost of s 9(2)(b)(ii) s 9(2) outlined in the Programme Business Case.

Impact on Programme Costs

The incremental operating costs/savings flowing have been assessed and updated across the Tranche 3 programme lifetime of 20 years. On establishment in 2017, the total cost of FIRP was assessed as s 9(2)(b)(ii) The scope changes to Tranche 3 will reduce the overall projected programme cost to s 9(2)(b)(ii) , a variance of s 9(2)(b)(ii) The overall projected programme cost is summarised in Table 9.

Table 9: Summary of Overall FIRP Project Cost

Item ($000, nominal)	Tranche 1	Tranche 2	Tranche 3	Total
Construction	s 9(2)(b)(ii)			
Construction Contingency				
Fees				
Technical and Internal Resource				
Programme Contingency				
Escalation				
Total				

Key Assumptions

The Financial Case outlines cost, revenue, and funding assumptions and estimates based on the assumptions summarised in Table 10.

Table 10: Financial Case Assumptions

Assumption	Value ($000)	Source/Commentary
Real discount rate	2%	
Escalation	4%	Average.
Wage growth	-	Not applicable.
Demographic increase	-	Not applicable.
Appraisal period	-	Not applicable.
GST and tax	15%	
Capital charge	-	Assumed funded for new investments, and therefore excluded from financial calculations.
Depreciation – physical infrastructure	s 9(2)(b)(ii)	Building fitout and building services.

Assumption	Value ($000)	Source/Commentary
Depreciation – clinical equipment	-	Not applicable.
Depreciation – digital investment	-	Not applicable.
Total employed workforce	-	Not applicable.
Total outsourced workforce	-	Not applicable.
Outsourced services	-	Not applicable.
Clinical supplies	-	Not applicable.
Non-clinical supplies	-	Not applicable.
Repairs and maintenance (R&M)	s 9(2)(b)(ii)	Incremental R&M on the new heat pump system is assessed at 1% of the construction cost estimate of s 9(2)(b)(ii) (cost estimate 16 August 2024).
Utility Savings	s 9(2)(b)(ii)	New chiller electricity use at 50% of existing plant metered electrical load for ASW.30 High Risk and Highly Critical Assets. In addition, energy savings are achieved by ASW.32 Alternative Heating.
Dispose/Demolition	-	Not applicable.

Capital Costs

The estimated capital cost of Tranche 3 is s 9(2)(b)(ii) as summarised in Table 11 and Table 12. The costs are built up from several sources, including known prices (where supplier quotes have been received), vendor indicative pricing, Health NZ IIG expertise, and external expertise, Rider Levett Bucknall, Beca and Resource Coordination Partnership.

Capital costs (including contingency and escalation) have been estimated in alignment with the IIG Cost Estimating Guideline (July 2023). An independent quantitative risk assessment workshop was held, with the outcome supporting the contingency allowances that have been made within the estimates

Table 11: Summary of Capital Costs (nominal, totals may not sum due to rounding)

Item	$000, nominal
Construction	s 9(2)(b)(ii)
Construction Contingency	
Fees	
Technical and Internal Resource	
Programme Contingency	
Escalation	
Total	

Table 12: Summary of Capital Costs (by workstream)

Item ($000, nominal)	ASW.30 (assets)	ASW.31 (elec)	ASW.32 (heating)	ASW. 33 (tech)	ASW. 35 (asbes)	PMO	Total
Construction	s 9(2)(b)(ii)						
Construction Contingency							
Fees							
Technical and Internal Resource							
Programme Contingency							

Item ($000, nominal)	ASW.30 (assets)	ASW.31 (elec)	ASW.32 (heating)	ASW. 33 (tech)	ASW. 35 (asbes)	PMO	Total
Escalation	s 9(2)(b)(ii)						
Total							

Incremental Operating Costs

The operating costs shown in Table 13 reflects additional incremental operating costs (relative to business as usual) as a result of the investment. It includes net utility savings of approx. $11.451 million which are largely due to the ASW.32 Alternative Heating components included in the investment. These include replacing the steam heating systems of two buildings at ACH with electric heat pump systems. As well as achieving emissions reductions, this materially reduces natural gas and carbon charges. Even allowing for the additional electricity costs the net impact remains positive. The replacement of air-conditioning chiller plant at GCC with more modern plant with significantly improved performance, also contributes to the utility savings.

Early estimates of the total additional incremental operating costs for the revised Tranche 3 investment indicate that funding of s 9(2)(b)(ii) is required over a 20-year timeframe. This includes the additional depreciation funding required.

Table 13: Summary of Incremental Operating Costs (nominal, totals may not sum due to rounding)

Item	$000, nominal
Total employed workforce	-
Total outsourced workforce	-
Outsourced services	-
Clinical supplies	-
Non-clinical supplies	-
Repairs and maintenance	s 9(2)(b)(ii)
Utility Savings	
Dispose/demolition	
Total (excluding depreciation, interest)	
Depreciation	
Total (including depreciation, interest)	

Cashflow

Tranche 3 spend has been projected based on resourcing as well as the procuring of assets. Due to the timing of commencement and completion of the workstreams, some elements of Tranche 1 and 2 investment are ongoing, and cashflow for these projects will overlap with the cashflow for the new workstreams commencing as part of Tranche 3. The overlay of cashflow for the three tranches is shown in Table 14.

Table 14: Tranche 1, 2, and 3 Cash Flow

FIRP Tranche	$000, nominal FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	Total
Tranche 1	s 9(2)(f)(iv)					
Tranche 2						
Tranche 3						
Total						

The Tranche 3 spend assumes a commencement date of October 2025. If there is any delay in funding approval, this will impact on the cashflow across years. A material delay in approval will impact both the timing of spend within and between years, and on the overall Tranche cost (which

will increase based on the expected escalation costs). Based on current estimates, the anticipated cash flows for Tranche 3 are set out in Table 15 and Table 16.

Table 15: Annual Capital Funding Requirements (nominal, totals may not sum due to rounding)

Item	$000, nominal FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	Total
Capital Cost						
Construction	s 9(2)(b)(ii)					
Construction Contingency						
Fees						
Technical and Internal Resource						
Programme Contingency						
Escalation						
Subtotal						

Table 16: Annual Capital Funding Requirements (by workstream)

Item	$000, nominal FY25/26	FY26/27	FY27/28	FY28/29	FY29/30	Total
ASW.30 High Risk & Highly Critical Assets	s 9(2)(b)(ii)					
ASW.31 Sitewide Electrical Resilience						
ASW.32 Alternative Heating						
ASW.33 Technology Upgrades						
ASW.35 Asbestos Removal						
PMO						
Total						

The annual incremental operating costs (nominal) are summarised in Table 17.

Table 17: Annual Incremental Operating Cost Requirements (nominal, totals may not sum due to rounding)

Item	$000, nominal FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33	FY 33/34	FY 34/35	5 Year FY 36/40	5 Year FY 41/45	Total
Incremental operating cost													
Total employed workforce	-	-	-	-	-	-	-	-	-	-	-	-	-
Total outsourced workforce	-	-	-	-	-	-	-	-	-	-	-	-	-
Outsourced services	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinical supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-clinical supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
R&M	-	-	s 9(2)(b)(ii)										
Utility Savings	-	-											
Disposal/Demolition	-	-											
Subtotal (a)	-	-											
Total incremental interest (b)	-	-											
Total incremental depreciation (c)	-	-											
Total incremental costs (a+b+c)	-	-											

The Whole of Life Costs are summarised in Table 18.

Table 18: Whole of Life Costs (real, totals may not sum due to rounding)

Item	$000, nominal FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33	FY 33/34	FY 34/35	5 Year FY 36/40	5 Year FY 41/45	Total
Capital Cost (including business case seed funding cost)													
Total capital cost (a)	s 9(2)(b)(ii)				-	-	-	-	-	-	-	-	s 9(2)
Incremental operating cost (excluding inflation)													
Total employed workforce	-	-	-	-	-	-	-	-	-	-	-	-	-
Total outsourced workforce	-	-	-	-	-	-	-	-	-	-	-	-	-
Outsourced services	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinical supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-clinical supplies	-	-	-	-	-	-	-	-	-	-	-	-	-
R&M	-	-	ss 9(2)(b)(ii)										
Utility Savings	-	-											
Disposal/Demolition	-	-											
Subtotal (a)	-	-											
Total incremental interest (c)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Incremental costs (a+b+c)	s 9(2)(b)(ii)												
WOLC (present value at 2%)	s 9(2)												

Funding Sources

It is proposed that the additional funding required be sought as outlined in Table 19.

Table 19: Summary of Proposed Funding Sources

Item	Amount ($000) by year FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33	FY 33/34	FY 34/35	5 Year FY 36/40	5 Year FY 41/45	Total
Capital Funding Required													
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
HCE (capex)	s 9(2)(b)(ii)												s 9(2)
Donation	-	-	-	-	-	-	-	-	-	-	-	-	-
Alternative finance	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (specify)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total capital funding	s 9(2)(b)(ii)												s 9(2)
Operating funding required													
Health New Zealand	-	-	s 9(2)(b)(ii)										
HCE (capex)	-	-	-	-	-	-	-	-	-	-	-	-	-
Donation	-	-	-	-	-	-	-	-	-	-	-	-	-
Alternative finance	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (specify)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating funding	-	-	s 9(2)(b)(ii)										