Minister of Health

Nelson Hospital Redevelopment

3 August 2023

These documents have been proactively released.

Title of paper:

Nelson Hospital Redevelopment

Title of minutes:

Nelson Hospital Redevelopment (SWC-23-MIN-0088)

Report of the Cabinet Social Wellbeing Committee: Period Ended 21 July 2023 (CAB-23-MIN-0313)

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction code/s:

Some information has been withheld under s 9 (2)(i) of the Official Information Act 1982 (the Act) to enable commercial activities to be carried out without prejudice or disadvantage.

CAB-23-MIN-0313

Cabinet

Minute of Decision

Report of the Cabinet Social Wellbeing Committee: Period Ended 21 July 2023

On 24 July 2023, Cabinet made the following decisions on the work of the Cabinet Social Wellbeing Committee for the period ended 21 July 2023:

Out of scope

[redacted]

SWC-23-MIN-0088 **Nelson Hospital Redevelopment** CONFIRMED
Portfolio: Health

Out of scope

[redacted]

Rachel Hayward
Secretary of the Cabinet

Cabinet Social Wellbeing Committee

Minute of Decision

Nelson Hospital Redevelopment

Portfolio **Health**

On 19 July 2023, the Cabinet Social Wellbeing Committee:

1 **noted** that a redevelopment of Nelson Hospital (Project Whakatupuranga) is required to address seismic issues and to ensure the hospital is clinically and culturally fit for purpose to meet future demand;

2 **approved** the Project Whakatupuranga Programme Business Case, attached under SWC-23-SUB-0088, which sets out Option One as the preferred delivery with an estimated cost of $1.098 billion;

3 **noted** that the Project Whakatupuranga will be delivered across six phases through to the end of 2033;

4 **approved** Phase One of Project Whakatupuranga, which includes enabling, and design works;

5 **agreed** to release $73.0 million of funds reserved in the Health Capital Envelope non-departmental capital expenditure multi-year appropriation to fund Phase One of Project Whakatupuranga;

6 **agreed** that Te Whatu Ora progress development of the Detailed Business Case for Phase Two of Project Whakatupuranga, expected by 2025;

7 **noted** that there is a high risk the costs for Phase Two will exceed the current estimate of s 9(2)(i) and that the Minister of Health has put in place assurances to manage this risk;

8 **authorised** the Minister of Health to approve scope and budget changes for Phase One, where these changes are not material and can be met from existing funding baselines (Health Capital Envelope);

9 **noted** that funding required for Phases Two to Six of Project Whakatupuranga will be requested in future Budgets, and be subject to the Budget prioritisation process.

Rachel Clarke
Committee Secretary

Attendance (see over)

Present:
Rt Hon Chris Hipkins
Hon Kelvin Davis
Hon Grant Robertson
Hon Dr Megan Woods
Hon Jan Tinetti (Chair)
Hon Kiri Allan
Hon David Parker
Hon Peeni Henare
Hon Kieran McAnulty
Hon Ginny Andersen
Hon Barbara Edmonds
Hon Jo Luxton

Officials present from:
Office of the Prime Minister
Officials Committee for SWC

In Confidence

Office of the Minister of Health

Cabinet Social Wellbeing Committee

Project Whakatupuranga – Nelson Hospital Redevelopment: Approval of the Programme Business Case and Phase One

Proposal

1. This paper seeks Cabinet approval of:

    1.1 the Project Whakatupuranga – Nelson Hospital redevelopment (Project Whakatupuranga) Programme Business Case, option one (refer Appendix One)

    1.2 the release of $73.0 million from the Health Capital Envelope non-departmental capital expenditure multi-year appropriation (Health Capital Envelope) for Phase One – design and enabling works, and

    1.3 progression to the Detailed Business Case for Phase Two (construction of the Acute Services Building, currently estimated to cost s 9(2)(i) s 9(2)(i) .

Relation to government priorities

2 The Nelson Hospital redevelopment will assist Te Whatu Ora to meet its objectives and functions as set out in the Pae Ora (Heathy Futures) Act 2022, and the longer-term directives from the interim Government Policy Statement for Health 2022-2024. This includes protecting, promoting and improving the health of the people of the Nelson Marlborough region.

Executive Summary

3 Critical clinical facilities at Nelson Hospital are seismically compromised and are not clinically fit for purpose. Nelson Hospital also requires more inpatient bed and theatre capacity to meet future demand.

4 The large scale and scope of the investment at Nelson Hospital necessitates a phased approach. Te Whatu Ora has developed a Programme Business Case – an investment programme of six phases, over 10 years, to deliver a hospital campus to serve the population of Nelson and Marlborough regions for decades ahead. The preferred option, option one, is estimated to cost $1.098 billion over the six phases. It includes:

    4.1 Phase One: enabling works and design for Phase Two facilities

    4.2 Phase Two: construction of a new Acute Services Building containing critical acute services, wards and an energy centre

4.3 Phases Three to Six: refurbishment and re-purposing of existing buildings.

5 I seek Cabinet's approval of the Programme Business Case – option one, Phase One investment and for Te Whatu Ora to progress to the Detailed Business Case Stage for Phase Two.

6 Approving the Programme Business Case confirms the proposed approach for the Programme rebuild and provides funding for Phase One (enabling works and design). However, funding beyond Phase One will be subject to future budgets.

7 Phase One has an estimated cost of $73.0 million, which will be funded from the Health Capital Envelope. Releasing funding for Phase One will maintain momentum on the programme and provide better cost certainty to inform the Detailed Business Case for Phase Two.

8 I ask that Cabinet delegate approval of any changes in scope or budget of Phase One to me, in my capacity as Minister of Health. Such delegation would only apply to changes that are not material and can be funded from within baselines including the Health Capital Envelope.

9 I consider there is a high risk an investment of this scale and timeframe (ten years) will cost more than the current estimate of $1.098 billion. I have put in place assurance steps to manage this risk.

Background

10 Te Whatu Ora – Nelson Marlborough provides healthcare services to a population of approximately 170,000 people across the Nelson, Tasman and Marlborough regions. Its population is aging and is expected to grow 9.6 percent by 2040/41. Nelson Hospital is the largest of two secondary hospitals in the Nelson Marlborough region.

11 Project Whakatupuranga (for the Nelson Hospital redevelopment) has been in business case development for more than five years.

12 Project Whakatupuranga represents a significant investment decision for the health sector and the region. It is one of five hospital redevelopment investments signalled in the Regional Hospital Redevelopment Programme (RHRP) led by Te Whatu Ora.

Investment Context

13 The investment in Nelson Hospital is one of many needed to ensure our health estate can deliver high quality health care for our populations. However, the scale of the Phase Two investment is roughly equivalent to the average Budget funding provided to the Health Capital Envelope since Budget 2018. Further funding for this project will be sought from future Budgets.

14 Due to the need to progress this project, Te Whatu Ora has submitted this Programme Business Case in advance of the Infrastructure and Investment Plan, due to Cabinet in December 2023. In doing so, Te Whatu Ora has confirmed the high priority of this investment against available funding at the scope and scale outlined.

Strategic Need

15 The investment drivers for Project Whakatupuranga are:

15.1 **seismic**: Some of Nelson Hospital's critical clinical service buildings have been assessed as seismically compromised. They are unlikely to be able to provide critical clinical operations following a significant earthquake.

15.2 **design**: The configuration and age of some buildings (notably George Manson and Percy Brunette) are not clinically fit for purpose for modern service delivery, nor do they deliver Kaupapa Māori cultural design elements.

15.3 **demand and capacity**: Demand modelling commissioned by Te Whatu Ora forecasts significantly more beds and additional theatres will be required by 2037/38.

16 The proposals I am seeking Cabinet's agreement to in this paper will make progress towards addressing these identified issues.

Approval of the Programme Business Case and the Preferred Option

17 The large scale and scope of the investment programme at Nelson Hospital necessitates a phased approach, as identified in the Programme Business Case.

18 The Programme Business Case seeks early approval to start a preferred programme of work and outlines subsequent business cases that will be required. It is informed by expert engineering advice, site master planning, capacity and service planning and external quantity surveyor advice. This work led to the identification of four options to address the investment drivers – the estimated costs range from $1.070 – $1.275 billion. Appendix Two provides further detail.

19 I am seeking Cabinet's approval of the Programme Business Case and Option One. The four options outlined all comprise redevelopment of the main (Waimea) campus on the existing site. All options discount the continued use for clinical purposes of the two main clinical buildings, the George Manson and Percy Brunette buildings, due to the feasibility of remediation and the age of the buildings (both over 50 years).

20 Each of the four options delivers the same functional areas, best practice for design and similar capacity. The options differ in terms of where functional areas are situated on the campus and the number of new buildings.

21 The Board of Te Whatu Ora noted at their 23 June 2023 meeting:

21.1 "As a major hospital and a key part of the national hospital infrastructure, the redevelopment of Nelson Hospital will be one of the investments required across the portfolio of Te Whatu Ora to address challenges regarding seismic resilience, poor state of the facilities, and insufficient capacity to meet the needs of the population. This will require progression and action to address the current risks and impact on health services. The progression of Project Whakatupuranga into the initial works and design stage through [Phase] One is a priority for the Te Whatu Ora Board. But proceeding with construction will require further capital commitments. Te Whatu Ora will be assessing other investments for the timing and sequencing to manage the pipeline of investments and fiscal affordability."

22 I am seeking Cabinet's approval of the Programme Business Case and Option One. The preferred option, option One, is proposed to be delivered in six phases through to the end of 2033, at a total estimated cost of $1.098 billion. Given the early stage of business case development, and the long duration of the programme, there may be significant variation to the cost. Current estimates are summarised in Table One. Appendix Three provides further detail.

Table One: The phases of Project Whakatupuranga Option One

Phase	Scope	Timing	Estimated cost $ m
One	Enabling works and design	Aug 23 - Jul 26	$73.0
Two	Acute Services Building (including wards), integrated Energy Centre and Building Links	Mar 25 - Nov 31	s 9(2)(i) [redacted]
Three	Refurbish existing Inpatient Building	Mar 29 - Oct 32	
Four	Refurbish Percy Brunette	Jan 30 - Oct 32	
Five	Refurbish George Manson	Apr 30- Nov 32	
Six	Refurbish existing buildings: Emergency Department, Radiology, Day Stay, ICU/Mortuary	Jan 31 – Nov 33	
	Subtotal		**$1.098.0**

23 Project Whakatupuranga has three subprogrammes and all three occur throughout all phases of the programme: the Facility subprogramme delivering the physical redevelopment of Nelson Hospital; the Workforce / System Transformation subprogramme implementing the new Models of Care; and

the Data & Digital subprogramme that supports virtual care and base IT functionality for the new facility.

24 The Programme Business Case provides the procurement strategy for Phase One and recommends Early Contractor Involvement for Phase Two.

Funding for Phase One

25 Phase One delivers the following enabling works and design by July 2026, at an estimated cost of $73.0 million:

25.1 enabling works: to prepare the site for construction

25.2 progressing design for Phase Two works to early stages of Developed Design

25.3 establishment and progression of the Workforce / System Transformation and the Digital subprogrammes

25.4 new site wide infrastructure including energy upgrades to ensure seismic resilience.

26 In Phase One Te Whatu Ora will progress design for the Acute Services Building its energy centre and solutions for the older buildings, George Manson and Percy Brunette to give confidence on the costs and direction of the Detailed Business Case.

Progressing to Detailed Business Case for Phase Two

27 The Detailed Business Case will outline the investment for Phase Two - the Acute Services Building and its energy centre, inpatient wards and links, all built to a standard that ensures operational continuity post-earthquake.

28 Aligned with the Government's policy, the new Acute Services Building will meet 5 Greenstar standards that will deliver a lower environmental footprint and improved staff and patient wellbeing.

29 Early modelling suggests 255 beds (an increase of over 90 beds from the present capacity) and 8 theatres (two more theatres than present) are required by 2037/38 due to demographic changes. The capacity delivered by the investment will be tested and aligned with national service planning and benchmarks as part of the Detailed Business Case development.

30 As the Detailed Business Case is developed, I expect Te Whatu Ora to draw heavily on all the learnings from the recent hospital investments such as the new Christchurch's Hospital (Waipapa), the New Dunedin Hospital and Whangārei Hospital redevelopment. This includes opportunities for standardisation and modularisation, and community engagement and communications.

31 The hospital redevelopment will be the largest infrastructure development for the region for the next ten years and regular community engagement is

essential to ensure understanding of the various steps in the process, the scope of the redevelopment, and the timeline for delivery.

32 Te Whatu Ora has developed a communication and engagement plan that focuses on informing stakeholders, particularly hospital staff, the general public, businesses, local iwi, council, and key agencies.

33 Te Whatu Ora will be required to meet the additional operating costs of the redeveloped Nelson Hospital from its annual operating funding. The Programme Business Case provided a high-level estimate of the increased operating costs of s 9(2)(i) in the first full year of operation, s 9(2)(i) s 9(2)(i) of which is workforce costs. These costs will be confirmed in the Detailed Business Case, which will also provide further information of workforce planning to staff the additional capacity delivered.

34 The estimated timeframe for the construction of the main building is from 2025 to 2031 and the current estimated cost is s 9(2)(i)

Risk and assurance

35 The main risks to this project relate to changes to the scope, scale and budget and market factors.

36 The overall cost is likely to increase as Detailed Business Cases and the costs are developed for each Phase. Additionally, while the design is being progressed during Phase One, the scope and/or scale of the project may decrease in response to right sizing the facility and/or affordability issues.

37 To provide more certainty for costs of Phase Two, I have allowed for more advanced design to be developed as part of the Detailed Business Case.

38 Further, Te Whatu Ora will provide updates of progress to myself and Manatū Hauora as part of its monthly portfolio reporting and at key milestones as outlined in Appendix Four. This will include updates on key workstreams, including service planning, capacity, workforce and data and digital. If it becomes apparent that costs will significantly exceed the indicated costs Te Whatu Ora will provide me with options to address the issue.

39 The scale of this programme relative to the location will also present challenges. Te Whatu Ora will work with Te Waihanga on options to mitigate this risk and these will be outlined in the Detailed Business Case.

Cost-of-living Implications

38 Construction will provide employment opportunities. This will not impact on the cost of living and will add to the overall standard of living.

Financial Implications

39 Funding of up to $150 million was reserved in the Health Capital Envelope for Phase One in Budget 2022.

40 Given the significance of the overall programme of investment, I am seeking Cabinet's approval of $73.0 million to complete Phase One and the approach to the Programme.

41 I recommend that the remaining $77.0 million allocated in Budget 2022 for Nelson redevelopment be released to manage broader pressures in the Health Capital Envelope.

42 The current cost estimates for Phase One were provided by a quantity surveyor and Te Whatu Ora is satisfied that they include appropriate contingency and escalation allowances for this stage of the project.

43 However, there may be unforeseen changes. I ask that you delegate approval of scope and budget changes for Phase One to me, in my capacity as Minister of Health, where these can be met from within existing funding baselines (including the Health Capital Envelope).

44 Approving the Programme Business Case confirms the proposed approach but does not commit the Government to funding the Programme. Further funding will be sought from future Budgets and will be subject to the Budget prioritisation process.

Legislative Implications

45 There are no legislative implications.

Impact Analysis

46 There are no regulatory proposals in this paper and a Regulatory Impact Statement is not required.

47 A Climate Implications of Policy Assessment (CIPA) is not required.

Population Implications

48 Nelson Hospital requires significant investment to address facilities that are seismically compromised, restrict service capacity and are not fit for purpose. The investment will enable the adoption of more efficient and effective models of care and will contribute to the development of a stronger public health system equipped to deliver better health outcomes for the population of Nelson Marlborough, which is aging and is expected to grow.

Human Rights

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

Use of external Resources

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

Consultation

51 The following departments, agencies and entities have been consulted; the Treasury, Te Aka Whai Ora, Te Waihanga – New Zealand Infrastructure Commission and the Department of the Prime Minister and Cabinet (DPMC).

52 Te Waihanga, The Treasury, Te Aka Whai Ora and DPMC are broadly supportive of this paper.

Communications

53 The hospital redevelopment will be the largest infrastructure development for the region for the next ten years and regular community engagement is essential to ensure understanding of the various steps in the process, the scope of the redevelopment, and the timeline for delivery.

54 Te Whatu Ora has developed a communication and engagement plan that focuses on informing stakeholders, particularly hospital staff, the general public, businesses, local iwi, council, and key agencies.

55 My office will prepare communications to support an announcement in consultation with the Minister of Finance if Cabinet approves the investment.

Proactive Release

56 I propose the proactive release of this paper and the Programme Business Case by 31 October 2023 given the significant scale of this investment and high level of local and national interest. Redactions will be in accordance with the Official Information Act 1982.

Recommendations

The Minister of Health recommends that the Committee:

1. **Note** that a redevelopment of Nelson Hospital – Project Whakatupuranga is required to address seismic issues and to ensure the hospital is clinically and culturally fit for purpose to meet future demand.

2. **Approve** Option One of the Programme Business Case for Project Whakatupuranga with an estimated cost of $1.098 billion.

3. **Note** that the Nelson Hospital redevelopment will be delivered across six phases through to the end of 2033.

4. **Approve** Phase One of Project Whakatupuranga, which includes enabling, and design works.

5. **Agree** to release $73.0 million of funds reserved in the Health Capital Envelope non-departmental capital expenditure multi-year appropriation to fund Phase One of Project Whakatupuranga.

6. **Approve** Te Whatu Ora moving to develop the Detailed Business Case for Phase Two of Project Whakatupuranga, expected by 2025.

7. **Note** that there is high risk the costs for Phase Two will exceed the current estimate of s 9(2)(i) and that I have put in place assurances to manage this risk.

8. **Delegate** approval of scope and budget changes for Phase One to the Minister of Health, where these changes are not material and can be met from existing funding baselines (Health Capital Envelope).

9. **Note** that funding required for Phases Two to Six of Project Whakatupuranga will be requested in future Budgets, and be subject to the Budget prioritisation process.

Authorised for lodgement

Hon Dr Ayesha Verrall

Minister for Health

Appendix One

Programme Business Case

Appendix Two

A high-level summary of the four options in the Programme Business Case.

Option 1 – Intermediate This option delivers a new building to house acute services and inpatient care, along with critical supporting functions. Existing buildings on the hospital campus are reconfigured to house other essential functions, maximising the use of available space.					
Treatment of existing buildings	*New build construction milestone*	*GFA (new build)*	*Cost*	*Completion*	*Recommendation*
GM building repurposed for admin. Theatres building – endoscopy, L&D skills lab.	Combined ASB & IPB Central plant All critical services seismically resilient Delivery of complete programme scope	36,129 m^2 2,699 m^2 - **38,828 m^2 (total)**	s 9(2)(i) - - **$1.098 bn** $27,660 / m^2**	Nov 2031 - Nov 2031 Nov 2033	This option performed strongly during the options assessment phase and is **recommended** for further development.
Advantages			*Potential disadvantages and trade-offs*		
• This option performed strongly in the options assessment phase, returning the highest score in the multi-criteria analysis. Clinically preferred option, recommended by the Project Steering Group. • This option addresses key risks and shortfalls in the most efficient manner. Although the new IL4 building houses some functions that could be housed within an IL3 building, this option has a lower capital cost than Options 3 and 4 and is more cost effective overall. • Key services consolidated into a combined ASB allows more space for the future development of the campus. • Allows opportunities to reutilise existing space in future, for example with development of dedicated whanau accommodation and / or future inpatient expansion. • Smaller demolition zone than Options 3 and 4, reducing the level of disruption to the hospital during the demolition and construction phase. • Creation of ATR hub. • Operationally more efficient with staff in a single ASB (rather than spread across multiple buildings). • Medical and surgical wards co-located in an IL4 building. • Single phase reduces delays to build and delivers required capacity on time			• There may be a perceived disadvantage as this delivers a single new IL4 building (ASB) with some services (Medical / Surgical and AT&R wards) in this structure that could be in an IL3 building. This is done for the sake of efficiency: creating a separate IL3 structure is more expensive overall than adding them to the planned IL4 building.		

Notes:
* This figure for all options includes the initial $150m appropriation for design and enabling works that was approved at Budget 2022.
** Average cost per m^2 has been included for comparison. However, it should be noted that the differences in total developed area, as well as the treatment of existing space, IL3, and IL4 buildings, and the varying risks and trade-offs between options make this unreliable as a measure of efficiency.

Key

GM = George Manson building
PB = Percy Brunette building
ASB = Acute Services Building
IPB = Inpatient Building
IL4 = Importance Level 4

ATR = Assessment Treatment and Rehabilitation

Option 2 – Minimum New Build This option also delivers a new IL4 building to house acute services and inpatient care. However, some critical functions (interventional suite, cardiac catheterisation laboratory, endoscopy, and bronchoscopy) are housed in existing buildings, along with other essential functions.					
Treatment of existing buildings	*New build construction milestone*	*GFA (new build)*	*Cost*	*Completion*	*Recommendation*
GM building retained. Theatres building – endoscopy, cath lab, interventional suite.	Combined ASB & IPB Central plant All critical services seismically resilient Delivery of complete programme scope	34,943m^2 2,619m^2 - **37,562m^2** (total)	s 9(2)(i) - - **$1.070 bn** s 9(2)(i)	Sept 2031 - Sept 2031 Sept 2033	This option was discarded during options assessment and is **not recommended** for further development.

Advantages	*Potential disadvantages and trade-offs*
• This option allows for a smallest total GFA for the new building, reducing the overall capital cost. It is the most efficient option from a construction perspective as it makes the greatest use of the existing buildings. • Key services consolidated into a combined ASB allows more space for the future development of the campus. • Allows opportunities to reutilise existing space in future, for example with development of dedicated whanau accommodation. • Less demolition of existing buildings than Option 4, reducing the level of disruption to the hospital during the demolition and construction phase. • Space for future inpatient expansion. • Creation of ATR hub. • Operationally more efficient with staff in a single ASB (rather than spread across multiple buildings). • Medical and surgical wards co-located in an IL4 building. • Single phase reduces delays to build and delivers required capacity on time. • Co-location of sterile services and theatres.	• Clinically not recommended. • This option has the weakest performance against seismic risk, but this is largely driven by the fact that some critical supporting clinical services (interventional suite, cardiac catheterisation laboratory, endoscopy, and bronchoscopy) remain housed in the Theatres building to maximise build efficiency. This creates a residual risk that these functions may be disrupted in a seismic event, with a flow on impact for acute services. • The services outlined above area also likely to be disrupted by new fitouts and renovations (which wouldn't occur if they are located in a new building). • Option 2 delivers the weakest performance against clinical outcomes. Although the Inpatient Unit and Acute Services are housed in a single building, some critical support services are relocated to the existing Theatres building. The location of the cardiac catheterisation lab in the Theatres building is especially problematic for clinical flow. • Though overall capital costs are low, the increased expected increased in operational costs means savings are only temporary. • This option delivers a single new IL4 building (ASB) with some services (Medical / Surgical and AT&R wards) in this structure that could be in an IL3 building.

Option 3 – Phased Approach

This option delivers two new buildings, one of which houses acute services and the other houses inpatient care. This option uses much of the existing building stock on the hospital campus, excluding the Theatres building which remains vacant.

Treatment of existing buildings	New build construction milestone	GFA (new build)	Cost	Completion	Recommendation
GM building repurposed for admin. Theatres building – L&D skills lab.	ASB completed IPB completed Central plant All critical services seismically resilient Delivery of complete programme scope	32,338m^2 5,494m^2 2,815m^2 - **40,647m^2** (total)	s 9(2)(i) - - **$1.144bn** s 9(2)(i)	May 2031 Nov 2032 - Nov 2032 Jun 2033	This option performed strongly during the options assessment phase and is **recommended** for further development.

Advantages	Potential disadvantages and trade-offs
• This option delivers against the three problem statements. It performed strongly in the options assessment phase. • This option houses all critical clinical services in seismically resilient buildings. Provided the programme proceeds as planned, critical services are delivered in line with projected increases in demand. • Delivering two smaller buildings separately allows for a phased approach to construction and capital expenditure, extends the delivery timeline, and manages annual cash flows. • Provides decision-makers with choices about whether to proceed with the second phase (IPB). This permits reprioritisation of capital across the programme investment at Te Whatu Ora.	• This choice introduces some clinical risk: if the second phase is not completed, there will be bed shortages relative to demand. Approximately 74 beds are to be housed in the IPU. With decanting arrangements in place, Nelson Hospital could continue to function with a moderate shortfall; however, this would be sub-optimal from a clinical, operational, and seismic resilience perspective. • This option places key clinical areas in four separate buildings (ASB, IPU, IPB, PB). This will incur operational inefficiencies compared with Option 1, which has a combined ASB & IPB building. This will have a negative impact on staff resources, flexibility, length of stay for patients, and bed demand. It raises clinical risk in being able to respond to emergencies in a timely manner while maintaining a level of response to the main ASB. • Although Option 3 includes a smaller capital ask to deliver the new ASB in Phase 1, this is only marginally less (7%) than the combined ASB and IPB building that would be delivered in Option 1, while the overall capital cost is higher. • Expands the demolition zone (compared to Options 1 and 2) to accommodate two new buildings. This reduces available space for future construction, limiting options for the further redevelopment of Nelson Hospital. • The expanded demolition zone creates further disruption to nonclinical services within affected buildings. • To realise ATR hub both the ASB and IPB need to be operational before a refurb of the existing IPB hub can be done to develop the hub – this results in the longest build time, concerning as expected older adult growth is 220% more than currently provided. • Further delays will negatively impact general older persons health and older persons mental health (Alex hospital out of scope but projected growth accounted for in PW)

Option 4 – Do Maximum

This option was carried forward as the previously preferred option in the DBC. It represents overinvestment given what is now known about George Manson, but it also presents a more thorough and more clinically acceptable rebuild of the Nelson Hospital site.

It partially demolishes the George Manson building and fully demolishes the existing Theatres building to address seismic risks on the campus. It delivers two new buildings, housing acute services and inpatient care respectively.

Treatment of existing buildings	New build construction milestone	GFA (new build)	Cost	Completion	Recommendation
GM building (levels 4-7) demolished. Theatres building demolished.	ASB completed IPB completed Central plant All critical services seismically resilient Delivery of complete programme scope	31,943m^2 8,152m^2 6,747m^2 - **46,842m^2** (total)	s 9(2)(i) [redacted] - - **$1.274 bn** s 9(2)(i) [redacted]	Nov 2031 Jun 2034 - Jun 2034 May 2036	This option is **recommended** for further development.

Advantages	Potential disadvantages and trade-offs
• Option 4 delivers strongly against the three problem statements. It addresses the seismic risk most effectively, as it includes the demolition of the George Manson building and existing Theatres and houses more functions in the new ASB and IPB buildings. • Endoscopy located in the ASB • Better utilised expansion zone • Creates clinical expansion space in the existing inpatient building	• Option 4 is the least efficient use of resources. Notably, it demolishes buildings that can be reused – albeit not for critical clinical space viz, the Theatres building and the top four storeys of the George Manson building. This results in a 15% larger area for the new buildings than the next largest option, with the highest overall capital cost. • Expands the demolition zone (compared to Options 1 and 2) to accommodate two new buildings. This reduces available space for future construction, limiting options for the further redevelopment of Nelson Hospital. • The expanded demolition zone creates further disruption to nonclinical services within affected buildings.

Appendix Three

The Six Phases of Project Whakatupuranga - Option One

Option 1	
Overall programme	
Budget	$1.098 billion
Overall scope	Importance Level 4 Acute Services Building (ASB), including inpatient wards Existing buildings are refurbished (GFA 13,190 m2) and used for administration or non-critical clinical use Existing theatres to house Endoscopy/Bronchoscopy Total vacant area GFA 570 m^2
Gross Floor Area (GFA)	38,828 m^2 (total) ASB 36,129m^2
Start/end dates	21 Aug 23 – Oct 33 All critical services seismically resilient by Nov 2031
Phase One	
Budget	$73.0 million
Scope	Programme Management Office - shared support services Enabling works, carpark, clearance, Early Childhood Centre Design - new Energy Centre, ASB, civil works and design solutions for the older buildings, George Manson and Percy Brunette Site wide infrastructure including energy upgrades
Start/end dates	Aug 23 – Jul 26
Phase Two	
Scope	ASB earthworks ASB with inpatient wards on top Building links
GFA	38,828 m^2 (including central plant 2,699m^2)
Budget	s 9(2)(i)
Start/end	Mar 25 - Nov 31 Energy Centre go live Aug 28 ASB go live Nov 31
Phase Three	
Scope	Refurbish existing Inpatient Building
GFA	Unknown but part of 13,190 m^2 total refurbishment in this option
Budget	s 9(2)(i)
Start/end	Mar 29 – Oct 32

Phase Four	
Scope	Refurbish Percy Brunette building
GFA	Unknown but part of 13,190 m^2 total refurbishment in this option
Budget	s 9(2)(i)
Start/end	Jan 30 – Oct 32
Phase Five	
Scope	Refurbish George Manson Refurbish existing Theatre Building and add endoscopy / bronchoscopy
GFA	Unknown but part of 13,190 m^2 total refurbishment in this option
Budget	s 9(2)(i)
Start/end	24 Apr 30 - Nov 32
Phase Six	
Scope	Refurbish: current ED bldg, radiology bldg, day stay unit bldg. (admin/staff hub, Māori health), ICU /Mortuary (to be admin)
GFA	Unknown but part of 13,190 m^2 total refurbishment in this option
Budget	s 9(2)(i)
Start/end	28 Mar 29 – Nov 33

Appendix Four

Approval conditions

1. Standard approval conditions apply to the Phase One approval.

2. Within six weeks of the end of concept design Te Whatu Ora will provide a project report to the Minister of Finance and the Minister of Health for the Acute Services Building that:

    2.1 covers private, regional and network health service planning and incorporates opportunities for new ways of working, including technology, to match capacity to the demand

    2.2 demonstrates capacity is appropriate by testing it against national benchmarks to ensure the hospital is right sized

    2.3 demonstrates the services proposed for location in the Acute Services Building are robustly tested

    2.4 updates how the lessons learned from other investments are incorporated into this (e.g. design, construction, procurement, etc)

    2.5 provides an independent review of the concept design, supported by Quantity Surveyor estimates

    2.6 confirm the preferred option to progress to preliminary design.

3 Te Whatu Ora will provide a project report for the Minister of Finance and the Minister of Health information at the end of preliminary design that:

    3.1 provides an update on 2.1 - 2.4

    3.2 provides an independent peer review of the preliminary design, supported by Quantity Surveyor estimates.

4 Te Whatu Ora will ensure the Detailed Business Case follows the Better Business Case guidance. This will ensure there will be:

    4.1 detailed project timeline/planning work regarding the sequencing of works and decanting of services to enable a more robust project timeline to be developed for the Detailed Business Case

    4.2 Market engagement and capacity. This is a very significant project and spend for a regional area. There will be further refinement of the project cashflow in line with the project timeline above as well as consideration of a high level of market engagement to judge what is achievable in the next phase of work.