Template 1: General Budget Track Initiative Template

This template seeks a high-level summary of the Budget 2018 significant initiatives. Agencies are required to complete the:

- Blue sections for all initiatives (including cost pressures).
- Green sections for cost pressure initiatives.

Your Vote Analyst will complete their assessment in the grey fields. Supporting information must be provided to your Vote Analyst. Please use the descriptions provided as a guide for what information is expected in each of the boxes below.

Contact your Vote Analyst in the first instance with any queries.

Section 1: Overview and Context

<table>
<thead>
<tr>
<th>Vote</th>
<th>Health</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsible Minister</strong></td>
<td>Hon Dr David Clark</td>
</tr>
<tr>
<td>Initiative title</td>
<td>District Health Boards Capital Investment</td>
</tr>
<tr>
<td>Initiative description</td>
<td>This funding will support a wide range of District Health Board Capital Investments to expand service capacity and replace sub-standard facilities, and in the process improve patient experience and outcomes. The majority of this funding (which excludes the Dunedin Hospital redevelopment), is for Northern region projects to address the need for additional capacity or to fix problems with sub-standard facilities and infrastructure.</td>
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<tr>
<td>Workstream</td>
<td>Capital</td>
</tr>
<tr>
<td><strong>Responsible Vote Analyst</strong></td>
<td>[Please provide your name and extension number]</td>
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</tbody>
</table>

1.1 EXECUTIVE SUMMARY

A. Short summary of the proposed initiative and expected outcomes.

This is a bid for a pool of funding that will be used to fund health sector capital projects that have followed the full Better Business Case process, Capital Investment Committee endorsement, approval by Ministers of Health and Finance and, where appropriate, Cabinet.

<table>
<thead>
<tr>
<th>Funding Sought ($m)</th>
<th>2017/18</th>
<th>2018/19</th>
<th>2019/20</th>
<th>2020/21</th>
<th>2021/22</th>
<th>2022/2023 &amp; outyears</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>Operating</td>
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<td>Capital¹</td>
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[If your proposal requires time limited funding until the year 2020/21 please delete the ’& outyears’ from the table. If your proposal requires time limited funding beyond 2020/21, please add new columns to the table to reflect the profile of funding sought.]

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¹ The first 10 years of capital investment is counted against the capital allowance. Additional FY columns are to be added to funding table above to reflect the full capital costs of an initiative.
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</table>

**Vote Analyst Recommendation**

Three components required: See Vote Analyst Assessment Guidance.

1. [Support in full/Do not support/Partial support and Scale/Defer]
2. [Please provide a two sentence summary to explain your recommended above].

This will be entered into CFISnet and used in the supporting comment next to initiative assessments in advice to Ministers and Panels.

3. [Provide a succinct overall assessment which outlines the key judgements which support your two sentence summary (above)].

This will be used in the Treasury moderation process and package development stages.

**Degree of Government Commitment**

[Pre-commitment/manifesto commitment/discretionary]

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### 1.2 CONTEXT

A. Has the initiative been previously considered by Cabinet or been through previous Budgets?

- [ ] Y

Health Capital Envelope is an annual process.

B. Has the initiative been jointly developed with other agencies?

- [ ] Y

C. Have you attached the supporting Better Business Case, Regulatory Impact Assessment, etc (if applicable)?

- [ ] N/A

D. Would this initiative still go ahead if not funded in Budget 2019?

- [ ] N

DHB baseline funds unlikely to be available as already committed.

E. Does this initiative contain an element of funding for cost pressures?²

- [ ] Y

F. Were these cost pressures signalled in your most recent Table 2A and 2B submission?

- [ ] N

G. If required, please provide additional information to support your answers above.

The proposals all come from District Health Boards (DHBs) and both the Ministry of Health and Treasury work with DHBs to support Business Case development. Ministers of Health and Finance and Cabinet see Business Cases at the appropriate point in the approval process. The bids are a mixture of replacement of sub standard facilities and the additional capacity. They are all necessary to maintain existing service and outputs. However it should be noted that wherever possible a capital investment is an opportunity to develop new models of service delivery, i.e the replacement is never like for like.

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² Cost pressure initiatives cover existing services and outputs that are funded from within baselines but which are facing wage, price, volume and/or other pressures and where an agency considers it cannot continue to deliver the same level and/or quality of service within its baselines.
Section 2: Problem / Opportunity & Strategic Alignment

2.1 PROBLEM DEFINITION OR OPPORTUNITY

A. Describe the problem or opportunity that this initiative seeks to address.

The provision of good quality health and disability services requires capital assets of sufficient standard that are fit for purpose, and of sufficient capacity. The projects that will be undertaken will address:
Substandard or not fit for purpose facilities and/or
Capacity that is insufficient to meet future demand.

B. What inputs will the preferred option buy and why?

The projects will provide health facilities that:
- Are fit for purpose
- Are capable of meeting future demand
- Will facilitate improved models of care.

An indicative list of proposed projects is included in Section 3.1A. All of the project would require joint ministers sign off before being initiated.

C. What alternative options were considered and why did you choose your preferred option?

The Ministry of Health, Treasury and the Capital Investment Committee (CIC) work closely with DHBs on their capital business cases. DHBs have submitted 10 year capital intentions and Long Term Investment Plans.
The Ministry has carefully assessed which projects signalled by DHBs are likely to reach the final approval stage in the next 18 months. Initially only projects which have already been to CIC and/or Ministers for a staged approval were considered.
We then considered projects where the DHB has indicated a requirement for an urgent solution, and where projects could be appropriately progressed as a single stage business case.
There is significant uncertainty over the timeframes (final submission is governed by the DHB’s ability to progress the business cases). There is also uncertainty over costs as the business case has not been completed. The Better Business Case process requires DHBs to identify options, including the “do minimum.”

D. Counterfactual analysis.

Investment is required to maintain health service provision and to meet future demand.

VOTE ANALYST COMMENT

Has the problem or opportunity been clearly described and does it support a compelling case for investment?
Has the agency clearly outlined what the initiative will be buying, for who (if applicable), and what it is intended to achieve?
What is the cost to deliver this proposal and is it comparable to other ‘like’ costs? Has the agency provided detail on the different components making up these costs?
Is clear information provided on the alternative options and counterfactual?
*If you do not have sufficient information, please follow up with your agency as these are key ingredients for the package development and bilateral advice.*

2.2 STRATEGIC ALIGNMENT AND COLLABORATION

A. How does this initiative fit with your agency’s strategic intentions as outlined in your most recent Statement of Intent, Four Year Plan and Long Term Investment Plans?
How does this initiative align with the Government’s priorities?

To enable the delivery of good quality services to New Zealanders, the health and disability system must maintain capital assets that are of sufficient standard and are fit for purpose.
New facility development also offers the opportunity to refresh service delivery models in line with the New Zealand Health Strategy and this is part of assessment and approval process.
2.2 STRATEGIC ALIGNMENT AND COLLABORATION

B. Description of engagement with other agencies impacted by this initiative (if applicable).

Each business case is developed by the DHB and involves consultation with other DHBs in the region, staff, consumers, local councils, Treasury and the Ministry of Health.

The forensic mental health proposals additionally have involved discussions with Tertiary Education and Unitec (current owner of the land), and Corrections.

C. How does this initiative relate to current activity undertaken by your agency and/or by others across the State Sector?

To enable the delivery of good quality services to New Zealanders the health and disability system must maintain capital assets that are of sufficient standard and are fit for purpose.

VOTE ANALYST COMMENT

[Please rate this initiative’s alignment with Government priorities on a scale from 0-5]
What strategic intentions [outlined in the Four Year Plan] does this initiative align with?
Is the strategic intent of this initiative clear?
If multiple agencies are involved, is there a clear sense of how the initiative will be delivered collaboratively?
Do they have a clear understanding of how this initiative will fit in with existing activity across the State Sector?

2.3 COST PRESSURE INITIATIVE SECTION [IF APPLICABLE]

A. What are the policy settings and cost drivers creating the pressure or risk?

The combination of building and infrastructure condition and the high cost of building has created a situation in which DHBs cannot self-finance these projects. The growth in population has placed capacity pressure on the Northern region.

B. What are the assumptions underpinning the pressures?

The individual projects have differing assumptions. At this stage in the Business Case process the costs are based on benchmarks. The capacity requirements for the Auckland DHBs are based on the Northern regions Long Term Investment Plan modelling. This takes account of trend analysis, population projections and changes to service delivery models to bend the demand curve.

C. What options have been identified to address the cost pressures?

The individual projects are subject to the better business case model approach to options analysis. The capital approval process will also include a central prioritisation process.

D. What is the efficiency, effectiveness and productivity of this cost pressure area?

The capital investments allow for the replacement of stock and addition of stock to maintain service coverage. At the same time every opportunity will be taken during the business case process to use the investment as a lever to introduce changes to models of care, service settings, to bend the demand curve and to deliver services more productively. However the how of this is project dependent and explored through the individual proposals.

Please note section 3.4 of this template is also a critical aspect for cost pressure initiatives.

VOTE ANALYST COMMENT

What are the choices around the policy settings and/or where is the requirement specified?
How credible are the assumptions which underpin the identified pressures? How do these compare to the market rates, Statistics NZ data and previous forecasts?

These are critical elements for prioritisation of cost pressures and bilateral advice. Finance Ministers expect to see expect to see better information on the underlying cost drivers, assumptions and impact of these cost and volume pressures.

What actions have been taken to manage or address these pressures (including in previous years) and how credible are the proposed strategic responses?

What is your view on the implications of not funding/partially funding these pressures?

How accurate has the agency been with its previous forecasts?

Advice to Finance Ministers will need to set out how these pressures align with the agency's medium to long-term strategic direction and the effectiveness of funding provided through previous Budgets.
### 3.1 EXPECTED IMPACTS

**A. What are the costs and benefits of this initiative compared to the counterfactual?**

Builds on section 2.1.C and 2.1.D of this template.

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategory</th>
<th>Description</th>
<th>Recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1</td>
<td>Subcategory 1.1</td>
<td>Description 1.1</td>
<td>Recommendation 1.1</td>
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<td>Category 1</td>
<td>Subcategory 1.2</td>
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<td>Category 3</td>
<td>Subcategory 3.2</td>
<td>Description 3.2</td>
<td>Recommendation 3.2</td>
</tr>
</tbody>
</table>
VOTE ANALYST COMMENT

(Please rate this initiative on a scale from 0-5 to reflect Value for money. Please explain your rating and provide a short comment on the quality of the cost-benefit analysis and the reliability of the inputs. See section 3.2.2 of the guidance.)

Has a compelling counterfactual been provided? Or if not, have the risks and implications been made clear?

The prompts above should be completed at a minimum by the agency to ensure a consistent assessment across initiatives.

3.2 ASSUMPTIONS AND UNDERLYING EVIDENCE
<table>
<thead>
<tr>
<th>A. Outline the assumptions underpinning the impacts described above.</th>
<th>Options and assumptions are part of the business case process.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. What evidence supports the assumptions and impacts stated in section 3.2.A?</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**VOTE ANALYST COMMENT**

Provide an assessment of the assumptions and judgements related to the expected returns. Are these clearly stated and reasonable and appropriate given the proposal’s intended outcomes?
Does the evidence (qualitative and/or quantitative) provide reasonable certainty and confidence? Why/why not?

### 3.3 SENSITIVITY ANALYSIS

| A. Provide examples or scenarios to show how impacts change with different assumptions or policy settings. | This will be part of the business case process. |

**VOTE ANALYST COMMENT**

Has the agency completed sensitivity analysis which steps through the impact of different elements on the initiative?
*This type of information will be critical when outlining choices and impacts/risks associated with trade-offs as the draft package is developed and advice is provided to Finance Ministers.*

### 3.4 FUNDING IMPLICATIONS

| A. Provide option(s) for scaling, phasing and/or deferring this initiative. Builds on information provided in section 2.1.B of this template. | A smaller pool of funding would be managed by asking CIC to prioritise the projects against the available funding. However most projects would then be deferred rather than dropped as in most cases the underlying need is unlikely to be met through a non-capital solution. |
| B. Describe the implications on service delivery and risks/trade-offs for each of the scaled, phased or deferred scenarios section 3.4.A. | Each project has its own risks. The critical infrastructure projects run the risk of total service failure if not addressed. The growth projects are required to manage future demand in a safe and appropriate way. Note that many of the projects are bridging projects required to address near term patient risk and capacity concerns while work is undertaken on the longer term direction. Service reconfiguration projects support more efficient and effective models of care, supporting improved patient and staff outcomes. |

**VOTE ANALYST COMMENT**

Have credible choices and implications been set out? If this initiative is prioritised down or scaled to fit within the draft package, do you have sufficient information to make these judgements? At a minimum, can you provide to Ministers:
- What are the most valuable components
- What is the do-minimum/point at which no worth doing?
- What are the risks or impacts of scaling?
*The development of the Budget package will require trade-offs and prioritisation across initiatives. Advice to Ministers will need to set these choices (and the risks/consequences) out.*
Section 4: Implementation, Risk Management and Evaluation

4.1 IMPLEMENTATION AND RISKS

A. How will this initiative be delivered?

Traditionally, DHBs have demonstrated capability at delivering small scale investments, once approval has been achieved. A number of the proposed projects fall within this category.

The Ministry has established a partnership group approach to support DHBs undertaking large scale developments. This approach was commenced with Canterbury DHB, but has been extended to Southern DHB (the redevelopment of the Dunedin Hospital).

Auckland DHB has established a robust programme structure, including external support and assurance steps for the major facilities remediation work planned. Officials are working through a process to support the northern region DHBs (Northland, Auckland, Waitemata DHB and Counties-Manukau DHB) given the scale of projects proposed in the interim, and the longer term projects that are expected to be confirmed as part of the current northern Long Term Investment Plan work.

There are some IT projects which will require stronger central agency involvement.

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Impact or Consequences</th>
<th>Likelihood</th>
<th>Severity</th>
<th>Overall Risk</th>
<th>Mitigation / Controls</th>
</tr>
</thead>
</table>

VOTE ANALYST COMMENT

Please provide a brief comment on the agency’s capability to deliver the initiative and ensure that the expected outcomes are achieved.

Has your agency set out the potential barriers or roadblocks expected in implementing the initiative and whether a plan exists to mitigate these? (This could include, for example, limited supply in the market for resources required to deliver the initiative, access to the target population/self-selection issues, and/or ability of agency to contract with providers)

[Please rate this initiative red, amber or green according to your assessment of risks associated with the delivery of this initiative. Consider the size of the proposal relative to the agency’s activity, any cross agency impacts, and impacts to front-line service delivery.]

4.2 LEGISLATIVE AND REGULATORY IMPLICATIONS

A. Please detail any legislative implications and whether the Regulatory Impact Assessment (RIA) requirements apply.

n/a

VOTE ANALYST COMMENT

[Provide an assessment of the regulatory impacts of this proposal in consultation with the Regulatory Quality Team.]

4.3 PERFORMANCE MONITORING AND EVALUATION

A. Performance measures/indicators.

Each proposal will have its own business case, which will cover performance measures and indicators.

B. Outline how the implementation and performance of the initiative will be regularly monitored.

Each proposal will have its own business case which will cover implementation and monitoring.
### 4.3 PERFORMANCE MONITORING AND EVALUATION

| C. Describe the method proposed to evaluate the impact of the initiative [if appropriate]. | Each proposal will have its own business case which will cover evaluation. Post occupancy evaluations, post implementation reviews and benefits monitoring are required for all approved projects. |

### VOTE ANALYST COMMENT

Please provide a brief comment on the proposed performance monitoring and evaluation.

Will it capture the expected outcomes are achieved?

Is there a clear and quality plan for how the success of the initiative will be measured and at which points or milestones?