Template 1: Manifesto Initiative Template

This template seeks a high-level summary of the Budget 2018 manifesto 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>Responsible Minister</td>
<td>Hon Dr David Clark</td>
</tr>
<tr>
<td>Initiative title</td>
<td>Dunedin Hospital redevelopment (capital)</td>
</tr>
<tr>
<td>Initiative description</td>
<td>This funding will redevelop Dunedin Hospital, replacing major facilities that have reached, or are nearing, the end of their serviceable life. The initiative includes new facilities that will house acute clinical services, birthing, inpatient units, clinical and non-clinical support and ambulatory services.</td>
</tr>
<tr>
<td>Workstream</td>
<td>Manifesto</td>
</tr>
<tr>
<td>Responsible Vote Analyst</td>
<td>[Please provide your name and extension number]</td>
</tr>
</tbody>
</table>

1.1 EXECUTIVE SUMMARY

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

The Indicative Business Case (considered by Cabinet in July 2017) identified that the major facilities on the Dunedin Hospital campus and the boiler house nearby require replacement at an estimated cost of $1.2 – 1.4 billion. The hospital rebuild is a significant opportunity to introduce transformational change to hospital service delivery for the Dunedin public. Cabinet agreed for the Southern Partnership Group to progress a Detailed Business Case subject to a number of conditions, including recommendation on a site for the new Hospital. Briefly:

- The current Dunedin Hospital provides most of Dunedin’s public health services and has about 400 beds. Wakari Hospital (not part of this proposal) is located 3 km away and provides mental health, assessment, treatment and rehabilitation and administration services.
- The scope for the capital investment includes facilities that will house acute clinical services, birthing, inpatient units, clinical and non-clinical support and ambulatory services. Services that are dependent on which site is chosen include mental health, oncology and those that may sit within the community health hubs.
- The initiative is urgent as it is a significant hospital redevelopment that will take 10 years to complete. In the meantime the core buildings on the current campus have reached, or are nearing the end of, their serviceable life, are not economic to repair or refurbish and do not support the provision of modern effective and efficient patient care.
- The Detailed Business Case is due to be completed in July 2018 and will go to Cabinet soon after to finalise the project scope and budget.
<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 &amp; outyears</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital¹</td>
<td>-</td>
<td>$1.3 billion</td>
<td>-</td>
<td>-</td>
<td>$1.3 billion</td>
<td>$1.3 billion</td>
</tr>
</tbody>
</table>

[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.]

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.
### Vote Analyst Recommendation

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Operating</td>
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<tr>
<td>Capital</td>
<td>-</td>
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</tr>
</tbody>
</table>

Three components required: See Vote Analyst Assessment Guidance.
1. [Support in full/Partial support and Scale/Defer]
2. [Please provide a two sentence summary to explain your recommendation above].

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

### 1.2 CONTEXT

| A. Has the initiative been stated in Labour’s Fiscal Plan, Coalition agreement, or Confidence and Supply Agreement? | Y |
| 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)? | Y |

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

This initiative is a commitment in the Fiscal Plan (page 7).
## 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 core facilities on the Dunedin Hospital campus (Ward Block and Clinical Services Building) and the boiler house nearby are in poor condition and require replacement. These buildings have all reached, or are nearing the end, of their serviceable life, are not economic to repair or refurbish and do not support the provision of modern effective and efficient patient care.

The current buildings on the Dunedin site require significantly increasing costs for repairs and maintenance. This includes urgent works for asbestos decontamination and leaks into clinical areas. As a major hospital redevelopment can take at least 10 years to construct, and the current buildings have substantial challenges (including not being able to accommodate innovations, preventing efficiency gains and care improvements), there is a need to design and build the new hospital as soon as possible.

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

The $1.3 billion funding will purchase a modern, fit for purpose hospital capable of delivering health services for the next 40 years for the people of Dunedin. Approximately 15 - 18% of this funding will cover health planning, architects, project management and other consultancy fees. The remainder will be for the construction contract.

#### C. What options were considered to achieve the Government's manifesto commitment and why did you choose your preferred option?

The Indicative Business Case identified a *long list* of a base case and seven options.

- The base case was a like for like replacement of the Clinical Services Building and was rejected - it would not meet forecast service volumes over the next 25 years.
- Two options involved a new facility situated across State Highway 1 on land currently owned by the University of Otago with a link to a substantially renovated Ward Block. These provided a sub-optimal solution - refurbishing the Ward Block is a significant challenge (refer note below) and the Hospital would occupy two constrained sites, further limited by the intersection of State Highway 1.
- Three options involved new buildings on alternative new sites providing the core services in the Clinical Services and Ward Blocks. These options informed the two options in the preferred way forward and are:
  - A new Hospital on a new site with a fit for purpose Clinical Services Block, Inpatient Unit and ambulatory services building. The services include acute clinical services, birthing, wards, ambulatory services and clinical and non-clinical support services. It would be commissioned in early 2027.
  - The new Hospital on the Wakari site providing the same services, but on DHB owned land and would be commissioned in late 2027 (the later date allows for demolition of buildings on site and decanting of the affected services into new accommodation).
- The remaining two options were new builds on a new site with a larger scope of services (e.g. mental health and oncology). While desirable, the new builds with a larger scope of services combining the Dunedin and Wakari Hospitals were considered the least affordable and exceeded the requirements set out in the problem definition.

*Note: Extending the life of the Ward Block through renovation became significantly less plausible in the options development. While the Ward Block is regarded as being*
relatively solid and termed “low risk” for its occupants, it has a range of issues with its performance and composition. It has “concrete cancer”, asbestos, and a range of maintenance issues that would require substantial investment to maintain its functionality and safety. The structural grid and floor to floor heights compromise the roll out of more efficient models of care: low ceiling heights limit the provision of services and clinical equipment and beams prevent areas being reconfigured effectively.

Significant renovation of the Ward Block would not deliver the benefits the project is looking for, would have significant decanting and service disruption implications, and would take four years longer to achieve than a new build (and consequently have a higher capital cost).

The short list consisted:

- Option B – a new clinical services building (CSB) and inpatient unit (IPU) for Dunedin city campus services, a refurbished Ward Block for ambulatory services and non-clinical services, and parking. A new Energy Centre, space for shared university and DHB learning and research and the CSB and IPU would be constructed on University owned land adjacent to the hospital’s existing site. Total building area of 92,112 m², with a staging of builds - the CSB commissioned in 2029 and the Ward Block in 2031.

- New Hospital on a new site. Total building area 92,965 m², commissioned in early 2027. Areas that need further consideration depending on site chosen: further space required for health hubs, oncology and acute adult mental health inpatient services and University-only space to be leased back to the University.

- New Hospital on Wakari site. Total building area 92,965 m², commissioned in late 2027.

<table>
<thead>
<tr>
<th>VOTE ANALYST COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has the problem or opportunity been clarified and does it support the prioritisation of this manifesto initiative?</td>
</tr>
<tr>
<td>Has the agency clearly outlined what the initiative will be buying, for who (if applicable), and what it is intended to achieve?</td>
</tr>
<tr>
<td>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?</td>
</tr>
<tr>
<td>Is clear information provided on the alternative options and counterfactual?</td>
</tr>
</tbody>
</table>

*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.*
### 3.4 Funding Implications

**A. Provide option(s) for scaling, phasing and this initiative.**

Builds on information provided in section 2.1.B of this template.

The Detailed Business Case will outline the investment cost and timing of the programme of work required and is due for completion end of June 2018. Costs and timing are indicative at this stage, but currently the project is estimated to need $1.3 billion. The Ministry is flagging this as a tagged capital contingency of $1.3 billion for Budget 2018 that could be released by Cabinet decision once it has considered the Detailed Business Case after June 2018. The cash requirements by year will depend upon the programme of works. Currently, the phasing of this is:

- **2018/19** Budget tagged capital contingency for $1.3 billion. This will be followed by completion of the Detailed Business Case in June 2018, followed by writing the Implementation Business Case which involves inputs from the concept design, the commencement of preliminary design, and resource consents.
- **2019/20** design and consenting complete. Early site works if feasible.
- **2021/22** tender for construction and construction.

Conventionally funding is approved in full at the completion of the Detailed Business Case, which is the intention at this stage. Alternatively, funding could be sought for the new Hospital at the end of the Implementation Business Case (mid 2019). If the $1.3 billion was sought through Budget 2019 the project would still require some funding from Budget 2018 to pay for the Implementation Business Case project costs (i.e., project management, resource consents and design).

**B. Outline how the costs compare to those outlined in Labour’s Fiscal Plan (if applicable)?**

These costs are as described in the Indicative Business Case, which is in the public domain.

**C. Describe the implications on service delivery and risks/trade-offs for each of the scaled, phased or deferred scenarios section 3.4.A.**

If the project was deferred at the end of the 2018 year, it increases the likelihood of a critical services failure in the Clinical Services building.

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**VOTE ANALYST COMMENT**

Have credible choices and implications been set out? Is it clear how costings differ from Labour’s Fiscal Plan? 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?
- An understanding of why this needs to be funded for 2018/19?

*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 3: Value for Money and Impacts

3.1 EXPECTED IMPACTS

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

The whole of life calculations capture the entire spend on Dunedin and Waikari hospital facilities, including expenditure on replacing or renewing existing buildings. Crucially, Option B and the Base Case both include significant costs in relation to keeping the Fraser Building and Ward Block operational beyond 2021/22, and these costs are avoided in the new build options.

Table 1 below outlines the 25 years sums of building replacement or major repair expenditure expected by the DHB alongside the redevelopment cost figures. The whole of life costs for the preferred option are cheaper than Option B (refurbishment) and similar to the base case, but with a substantially improved outcome.

Table 1 Sum of capital expenditure for Dunedin Hospital 2017/18 – 2041/42

<table>
<thead>
<tr>
<th>($ Millions)</th>
<th>Total cost of re-build (incl. escalation, contingency)</th>
<th>Future capital requirements (25 year sum of capital needed for replacement or major repair of DHB hospital buildings, not covered by IBC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Case</td>
<td>$92(f)</td>
<td></td>
</tr>
<tr>
<td>Option B (adjacent site)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New build new site</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New build Waikari site</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Southern DHB, Sapere Research Group

*This is likely to be a similar cost for a new build, new site

The non-monetised benefits of this investment depend on creating a well-designed, fit for purpose hospital that will deliver more modern models of care for patients and improve the effectiveness and efficiency of services across the local health care system. The benefits are also dependent on the changes to the service delivery that the Southern DHB is undertaking.

The high level benefits from a new Dunedin Hospital include more sustainable health outcomes, higher quality patient care and improved patient and staff safety. The benefits include improved patient flows, reduced waiting times and length of hospital stay, an improved working environment, improved spatial layout and aesthetics. These benefits are dependent on the above mentioned system improvements being made. Measures and Key Performance Indicators for these benefits will be developed in the Detailed Business Case.
### 3.2 Assumptions and Underlying Evidence

<table>
<thead>
<tr>
<th>A. Outline the assumptions underpinning the impacts described above.</th>
<th>We assume the successful design and build of a new Dunedin Hospital. It assumes the successful delivery of the Southern DHB transformational change programme for service delivery, both for services within the hospital and in the community.</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. What evidence supports the assumptions and impacts?</td>
<td>The NZ public health system has successfully delivered new hospital facilities before. Modern hospitals in NZ and Australia already operate using the modern models of care that the new facility will allow for. The changes being proposed by Southern DHB are in line with best practice in other DHBs. Therefore there is evidence that such changes can be achieved. Historically the DHB has struggled with the implementation of change, and this is a risk. However, there is a new CEO, a new Executive team, and project management office, which mitigates this risk to some extent.</td>
</tr>
</tbody>
</table>

### 3.3 Sensitivity Analysis

| A. Provide examples or scenarios to show how impacts change with different assumptions or policy settings. | The Dunedin Hospital redevelopment is dependent on the success of the Southern DHB change management programme. Without this, the capacity of the new hospital will be insufficient and the DHB’s financial position will further deteriorate. The capital cost of the project is sensitive to the following:  
- Square meterage of the final approved build. A 10% increase would add over $100 million to the project.  
- Escalation of building costs. For example, building costs escalation on the West Coast DHB Hospital build exceeded the generous allowances made in the business case. A 5% increase would add $50 million to the project.  
- Timing. |

### 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?

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.
Section 4: Implementation, Risk Management and Evaluation

4.1 IMPLEMENTATION

A. How will this initiative be delivered?

- The Southern Partnership Group role is to provide governance oversight of the Dunedin Hospital redevelopment through the planning (current stage), design and construction phases of the project. It is directly accountable to the Ministers of Health and Finance.
- The Ministry of Health is responsible for the delivery of the project.
- Southern DHB is undertaking a transformational change programme including clinical services, which is required for the Hospital to be the right size and configuration. This project is dependent on this work.
- The project timeline has the Hospital being delivered in 2027, when it will be handed over to the Southern DHB.
- Before this can happen, the Ministry is to report back to Cabinet early 2018 with a recommendation on site for the new Hospital as the current site is too small to build a new 90,000 m² hospital on it.
- The Southern Partnership Group is on schedule to produce a Detailed Business Case by the end of June 2018, which will confirm the budget bid for the project.
- In parallel with the finalisation of the Detailed Business Case in the first half of 2018, the Ministry will procure for concept design to keep the project on a fast track.
- If the business case is approved mid-2018, the Ministry will organise for the Implementation Business Case and the next stages of design, in parallel with the resource consent process. The tenders for construction will follow.
- The Ministry has identified that capacity of the design and construction market is an issue. The rebuild forecast has identified a peak workforce of 1,000 people will be required.
- Further details on the implementation will be covered in the final Detailed Business Case and in the Implementation Business Case.

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

The Ministry of Health and the DHB are ex officio on the Southern Partnership Group. The Treasury sits as an observer on the Group. Both the hospital redevelopment project and the DHB change programme rely on each other to achieve the investment objectives of the business case and realise the benefits. The DHB has engaged with the wider community and health sector as part of developing their change programme.

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

The Ministry of Health is delivering hospital projects in Christchurch and the West Coast under the oversight of separate partnership groups.

<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>
<tbody>
<tr>
<td>Site selection and acquisition will determine the critical path for the project and whether or not Dunedin services will</td>
<td>The choice of site and acquisition process required affects the length of the programme required. The choice of site will</td>
<td></td>
<td></td>
<td></td>
<td>This is being managed by the Director Critical Projects in consultation with SPG. The Minister of Health has received a briefing on the project.</td>
</tr>
<tr>
<td>Buildings at the end of their service life will be challenging to maintain for the period before a new hospital can be built. The risk to the project is it may put pressure on the speed of the build. <strong>NB</strong> if a significant issue arises with the existing facilities during the project SDHB may need to seek additional capital funds from central Government and/or divert resources working on this project.</td>
<td>Business continuity issues - will depend on the problem identified.</td>
<td>a) SDHB will investigate, document and approve a hospital infrastructure and status document that addresses the condition, risk and mitigation costs relating to the existing hospital and costs for replacement (by mid-Nov 17) b) SDHB CEO and/or Commissioner will advise MoH and SPG accordingly c) Ongoing (at least fortnightly) meetings between Building and Property and PMO d) Business Continuity Planning underway and a refreshed SDHB BCP to be developed by early 2018 (open)</td>
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<tr>
<td>The project has a wide range of critical path elements and interdependencies, each of which may delay or hinder the delivery of the project if not adequately identified and resourced.</td>
<td>Duplication of work by project team members or delays undermine quality of DBC and it may not meet Government expectations.</td>
<td>a) Programme management identifies critical path items (such as identification of site) and roles and responsibilities for delivery, which are reviewed in detail at regular (at least quarterly) project planning meetings (open) b) Active monitoring of the programme identifying programme risks and dependencies (ongoing) c) Regular reporting to SPG (monthly) and FRE on DHB-specific components of the work programme</td>
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<tr>
<td>University views and planning remain unclear in the planning phase.</td>
<td>University of Otago is a key stakeholder and close collaborator of the DHB (including a number of shared appointments) and remains an influential voice amongst the public. The project team needs a clear and timely direction on the</td>
<td>a) Engage with University through FRE (monthly meetings) and CLG b) Ongoing senior leadership meetings between University of Otago (UoO) and DHB c) UoO representative has joined the Southern Partnership Group</td>
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</tbody>
</table>
### VOTE ANALYST COMMENT

The implementation assessment will form a critical piece for the advice on the manifesto initiatives. In particular aspects such as the ability of the Government to ramp up for delivery, agency and market capacity and risks to the delivery need to be considered.

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. | We do not expect any legislative or regulatory impacts. However, there is a possibility the land acquisition and resource consent may require this, although this is not a preferred option. |

### 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

<table>
<thead>
<tr>
<th>A. Performance measures/indicators.</th>
<th>The high-level benefits from a new Dunedin Hospital include more sustainable health outcomes, higher quality patient care and improved patient and staff safety. The benefits include improved patient flows, reduced waiting times and length of hospital stay, an improved working environment, improved spatial layout and aesthetics. These benefits are dependent on the above-mentioned system improvements being made. Measures and Key Performance Indicators for these benefits will be developed in the Detailed Business Case.</th>
</tr>
</thead>
</table>
| B. Outline how the implementation and performance of the initiative will be regularly monitored. | This is a major capital investment. The following oversight will be in place:  
  - The Southern Partnership Group  
  - Gateway  
  - Independent Quality Assurance  
  - Peer review of key outputs (e.g., bed modelling)  
  - Treasury’s Project Monitoring |
| C. Describe the method proposed to evaluate the | Post completion there will be a Post Occupancy Evaluation and the Project Implementation review. Benefits which occur outside the period will be monitored by the DHB internally. |
## 4.3 PERFORMANCE MONITORING AND EVALUATION

| Impact of the initiative [if appropriate]. | Consideration of any external monitoring beyond this needs to take place as part of the Implementation Business Case. |

### VOTE ANALYST COMMENT

Please provide a brief comment on the proposed performance monitoring and evaluation. **A key aspect will be how success can be measured and the impact on the Government’s objectives.**

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