

Office of the Minister of Health
Chair, Cabinet Business Committee

Dunedin Hospital Redevelopment – Site Recommendation

Proposal

1. This paper requests that Cabinet agree the site selection for the Dunedin Hospital redevelopment and authorise the Ministry of Health (the Ministry) to purchase the land under the Public Works Act 1981. The land acquisition, [REDACTED]
[REDACTED]
9(2)(f)(ii) [collective and individual Ministerial responsibility]
2. I also ask that Cabinet exempt the Ministry from the requirement to consider a Public Private Partnership as a procurement option for the Dunedin Hospital redevelopment project.

Executive Summary

3. In 2015, the Southern Partnership Group (SPG) was established to oversee the planning, design and construction phases of the Dunedin Hospital Redevelopment project, including the site selection process.
4. The Indicative Business Case (IBC) for the Dunedin Hospital Redevelopment was approved for progression to a detailed business case (DBC) by Cabinet in July 2017. The scope of project involved replacement of most of the key facilities (except the cancer centre) at the current Dunedin Hospital on a new inner city site or at Wakari Hospital.
5. Based on the assessment process, SPG recommended the acquisition of a site known as the “Cadbury / Wilson” site. The main reasons for the SPG recommendation relate to the anticipated ease of acquisition supporting commencement of construction in 2020, and the proximity to the existing hospital (especially the cancer centre which will remain) and the University of Otago campus. The Minister of Finance and I accept the SPG recommendation, and ask that Cabinet agree to the acquisition of this site for the new Dunedin hospital.
6. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
9(2)(f)(ii) [collective and individual Ministerial responsibility]
7. The proposed purchase will be undertaken pursuant to the Public Works Act 1981. Subsequent to the decision on the site, the Ministry will supply Land Information New Zealand (LINZ) all the necessary documentation pursuant to the Public Works Act 1981 for the Minister for Land Information to purchase land for the Crown. In accordance with

this Act, Cabinet approval is required to acquire land for the Dunedin Hospital rebuild as a Government work.

8. Cabinet guidance requires that agencies planning significant investments, such as the Dunedin Hospital Redevelopment, consider all procurement options, including Public Private Partnerships [CO (15)5 Investment Management and Asset Performance in the State Service]. I ask that Cabinet agree an exemption from this requirement for this project.

Background

9. The SPG was established by the previous government in 2015 to oversee the planning, design, and construction phases of the redevelopment of Dunedin Hospital [CAB Min (15 Min 0061) refers]. I appointed a new Chair of the SPG, Pete Hodgson, in December 2017.
10. The SPG provides direction to the project, and independent assurance and recommendations to the Minister of Finance and myself for the successful delivery of the Dunedin redevelopment project (in accordance with Ministerial and Cabinet direction). Its membership includes independent clinical leaders, the chief operating officer of Otago University and a deputy commissioner of the Southern District Health Board.
11. Major hospital rebuilds are once in a generation projects. District Health Boards (DHBs) are focused on healthcare delivery and generally do not have the experience and expertise to manage major redevelopment projects. Previous experience has been that when DHBs manage these projects they tend to be diverted from healthcare focus and any expertise that is gained is then lost as it is no longer needed. In recent years the Ministry has taken responsibility for major rebuilds in Christchurch and Greymouth, ensuring the expertise and experience gained on these projects can be transferred to the Dunedin Hospital redevelopment.
12. In 2015, the initial project scope as defined by the Southern DHB involved the replacement of the Clinical Services Block on the current hospital site, at an estimated cost of \$300 million. However, expert analysis undertaken during the IBC process identified that the current Ward Block and Boiler buildings were in poor condition, and that these buildings required replacement as it was not economic to repair or refurbish them.
13. The IBC identified the following features of the preferred option:
 - a. a greenfield build (on either a new site or at the Southern DHB owned Wakari site),
 - b. scope requiring replacement of the Clinical Services Block, the Ward Block and most services currently provided at Dunedin Hospital, excluding the cancer centre,
 - c. an estimated cost of \$1.2 – 1.4 billion, and
 - d. delivery in 2027. This reflects an estimate of the time needed to investigate and acquire appropriate land, obtain the necessary consents for the build, and plan for significant changes to the health services as well as the various stages of design for the hospital and construction.

14. The previous government approved the progression to a DBC for the rebuild of most of the current Dunedin Hospital on a new site in July 2017.
15. Due to the difficulty in continuing to provide high quality health services from the current hospital buildings and the risk of infrastructure failure, it is important to progress the project as quickly as possible. As a key component of the development of the DBC, the Ministry and the SPG have been focusing on identifying the most appropriate site for the Dunedin Hospital redevelopment.

Comment

Site Selection Process

16. In September 2017 the SPG asked the Ministry to develop draft criteria to assist with the site selection process. The Ministry and the Treasury consulted with the Ministry of Education because of their extensive experience in selecting land for new schools. The University of Otago and the Dunedin City Council were also consulted on the criteria.
17. A two-stage process for site selection, adapted from the Ministry of Education approach, was adopted by the SPG. All options were firstly screened against four key criteria. Options with satisfactory scores from this process were then assessed against 21 criteria including factors relating to acquisition (cost, perceived ease), design factors (site size, zoning, geotechnical), and location (proximity to other DHB services, the University of Otago, the city centre, access and amenities).
18. All of the short-listed options scored relatively similar scores. The SPG then identified two key criteria to be weighted to make the final decision: proximity to the existing hospital and University of Otago, and ease of acquisition/likelihood of construction starting by September 2020.
19. [REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

9(2)(f)(ii) [collective and individual Ministerial responsibility]

20. The map in appendix one shows the location of each of the four short-listed options in relation to the existing hospital site.

21. As a consequence of the assessment process, the SPG recommend that the “Cadbury / Wilson” site be acquired for the new Dunedin hospital. This site comprises:

a. The Cadbury land – this involves land on two city blocks solely owned by the operators of the Cadbury Factory – Mondelez International Inc (Mondelez). It includes the Cadbury Factory land that is situated on land bordered by St Andrews St on the north and Stuart St on the south (excluding the land owned by the Otago Daily Times), and the Cadbury car park land across the road, total land area 27,277 m². It is directly to the south of the Wilson site. [REDACTED]

9(2)(f)(ii) [collective and individual Ministerial responsibility]

b. The Wilson block - one single city block bordered by Hanover St from the north and St Andrews Street on the south with a land area 20,241 m². It is diagonally opposite the existing hospital site where the oncology building is situated. It comprises 41 land parcels in 8 separate land ownership structures, with a collection of mostly low level industrial and commercial buildings including the Wilson car park building, a University hall, a motel and some office space. [REDACTED]

[REDACTED]

9(2)(f)(ii) [collective and individual Ministerial responsibility]

23. The Minister of Finance and I accept the SPG site recommendation, and ask that Cabinet agree to the acquisition of the “Cadbury / Wilson” site.

Land purchase

24. The proposed purchase is to be undertaken pursuant to the Public Works Act 1981 (the Act). This Act governs Crown acquisition of land for a Public Work whether by agreement or compulsory purchase. In accordance with the Act, Cabinet approval is required to acquire land for the Dunedin Hospital rebuild as a Government work.

25. It generally takes at least six to twelve months to acquire land by agreement. If compulsory acquisition powers are invoked landowners have a right of objection to the Environment Court and if there are objections, legal advice provided to the Ministry is that compulsory acquisition could take up to three years.

26. If Cabinet approves the acquisition, the Ministry will comply with the processes mandated by the Ministry of LINZ relating to Crown acquisition of land. This process requires that a LINZ accredited supplier prepare the necessary reports, assist with the negotiation for the land and ensure the compensation negotiated is fair to both the landowner and the Crown. The Ministry has engaged the LINZ accredited supplier The Property Group to assist with assessment and acquisition discussions and processes for this project to date.

27. The accredited supplier is responsible for providing the necessary documentation to LINZ to seek the agreement of the Minister of Land Information for the purchase of land pursuant to the Public Works Act.
28. If the Minister for Land Information agrees to acquire land, the purchase will be on behalf of the Crown pursuant to the Public Works Act. Like the other hospital projects the Ministry has managed, on completion the new Dunedin Hospital will be transferred to the Southern DHB using the Health Sector (Transfers) Act 1993.
29. The current district plan does not allow for construction of a hospital as of right, although it is possible the new district plan currently being considered by Commissioners may extend a hospital zone to this site. Even if this zone applies, it is very likely the planned hospital will not comply with a range of requirements of this zone meaning it will be necessary to look at options to obtain the necessary approvals. The Dunedin City Council is working very constructively with the Southern Partnership Group and the Ministry to look at options available.

Financial Implications

30. [REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] 9(2)(f)(ii) [collective and individual Ministerial responsibility]

Public Private Partnerships

32. Cabinet guidance requires that agencies planning significant investments, such as the Dunedin Hospital Redevelopment, consider all procurement options, including Public Private Partnerships (PPPs). In line with previous public announcements, I ask that Cabinet agree an exemption from this requirement for this project.
33. I will, however, expect officials to take into account learnings from PPPs elsewhere when developing the Commercial Case for this project.

Consultation

34. The Treasury, LINZ, the Tertiary Education Commission, New Zealand Transport Authority, and the Department of Prime Minister and Cabinet have been consulted on this paper.

Human Rights

35. There are no human rights implications.

Legislative Implications

36. There are no legislative implications.

Regulatory Impact Analysis Requirement

37. Not applicable.

Gender Implications

38. There are no gender implications.

Disability Perspective

39. The proposal in this paper will improve health service delivery to people with disabilities.

Publicity

40. I currently intend to make a public announcement of Cabinet's decision on 4 May 2018.

Recommendations

I recommend that the Committee:

- 1 **Note** the Southern Partnership Group was established in 2015 to oversee the business case and construction process for the Dunedin Hospital redevelopment.
- 2 **Note** the Southern Partnership Group has recommended the "Cadbury / Wilson" site as the preferred option for the site of the new Dunedin Hospital.
- 3 **Agree** that the site of the new Dunedin Hospital will be the "Cadbury / Wilson" site as recommended by the Southern Partnership Group.
- 4 **Agree** the land required for the new Dunedin Hospital will be a Government work and the land will be acquired pursuant to the Public Works Act 1981.
- 5 **Note** [REDACTED]
[REDACTED]
[REDACTED] 9(2)(f)(ii) [collective and individual Ministerial responsibility]
- 6 **Approve** the Ministry of Health to commence the purchase process for the "Cadbury / Wilson" parcels of land to enable the development of a new Dunedin Hospital.
- 7 **Agree** to exempt the Ministry of Health from the requirement to consider a Public Private Partnership as part of the procurement options for the redevelopment of Dunedin Hospital.

Authorised for lodgement

Hon. Dr David Clark

Minister for Health

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9(2)(f)(ii) [collective and individual Ministerial responsibility]

[REDACTED]