

The Treasury

Budget 2013 Information Release

Release Document

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Cabinet Committee on State Sector Reform and Expenditure Control

SEC Min (13) 2/4

Copy No: 26

Minute of Decision

27 FEB 2013

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Canterbury District Health Board: Detailed Business Case for Facilities Redevelopment

Portfolio: Health

On 26 February 2013, the Cabinet Committee on State Sector Reform and Expenditure Control (SEC):

Approval of the Detailed Business Case

- 1 **noted** that the Hospital Redevelopment Partnership Group (HRPG) has submitted the Detailed Business Case (DBC) for facilities redevelopment in Christchurch;
- 2 **noted** that this is the largest and most complex build in the history of the public health service in New Zealand;
- 3 **approved** the DBC subject to the following terms and conditions:
 - 3.1 that the construction of new facilities at Burwood, as set out in the DBC, proceed at a maximum cost of [9] with an anticipated completion date of September 2015;
 - 3.2 that the concept and preliminary designs for Christchurch be completed on the basis of the masterplans in the DBC;
 - 3.3 that the designs referenced in paragraph 3.2 above include the agreed location, size and cost for the new ambulatory centre to replace the temporary provision;
 - 3.4 that the designs referenced in paragraph 3.2 above be fully costed, with a total site cost not to exceed [9] and be submitted to the Minister of Health and the Minister of Finance for approval before further work proceeds;
 - 3.5 [9]
 - 3.6 that any earthquake related capital expenditure by CDHB that exceeds \$10 million per project require business case review through the Capital Investment Committee, as per the existing policy;

- 3.7 [6]
- 3.8 that the term of the HRPG be extended into the design phase;
- 3.9 that the HRPG comprise:
- 3.9.1 up to four members to be appointed by the Minister of Health (one of whom will be the Chair of the HRPG);
 - 3.9.2 the Chair of the CDHB;
 - 3.9.3 ex officio members from the Ministry of Health (the Ministry), Canterbury Earthquake Recovery Authority (CERA) and CDHB;
- 3.10 that the HRPG progress the project through the next stages of design at both Burwood and Christchurch and any necessary ground work and infrastructure preparation that needs to occur in parallel with the design work;
- 3.11 that CDHB delegate such authority to the HRPG as it needs to effectively and efficiently oversee the initial groundwork infrastructure preparation and the monitoring and accountability requirements imposed by the conditions to this agreement;
- 3.12 that the support to the governance of the project, control of project contracts and monitoring of compliance with conditions on this investment be the responsibility of the Ministry pending the review at paragraph 4 below;
- 3.13 that the CDHB submit for approval by the Minister of Health and the Minister of Finance a detailed workforce transformation plan, a detailed Information, Communication and Technology (ICT) plan approved by the National IT Health Board and detailed Benefits Realisation Plans from the investment for each site at the time of the Christchurch preliminary design;
- 3.14 that the HRPG ensure that there is sufficient control of scope changes and protection of contingency resources;
- 3.15 that the HRPG adopt and monitor a clear set of gateway checkpoints and key performance indicators, aligned with and reflected in the CDHB Annual Plan;
- 4 **invited** the Minister of Health to report to SEC on the governance of the project prior to letting the full construction contract for Burwood (to be based on a Ministry review in consultation with the Treasury and State Services Commission);

Financial implications

- 5 **noted** that the [9] cost of the project will be met from [9] of CDHB cash contribution, \$65 million from the residual Health Capital Envelope and \$426 million from Budget 2013;

- 6 **approved** the following fiscally-neutral transfer to enable the Ministry to meet the design costs for the CDHB redevelopment and to enable the Ministry to continue the redevelopment until final governance arrangements are confirmed:

Vote Health Minister of Health	\$M – increase / (decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Non-Departmental Capital Expenses:					
Equity for Capital projects for DHBs and Other Crown Sector Crown Agencies	(65.000)	-	-	-	
Health Sector Projects	65.000	-	-	-	
Total Capital	-	-	-	-	-

- 7 **agreed** the inclusion of these changes in the 2012/13 Supplementary Estimates and, in the interim, increases being met from Imprest Supply;
- 8 **approved in principle** a transfer of appropriations from 2012/13 to 2013/14 up to a maximum of \$60 million from the Health Sector Projects appropriation due to the uncertainty of time frames in payments over the next 10 months, until the tendering process is complete;
- 9 **authorised** the Minister of Finance and the Minister of Health jointly to determine the final amount to be transferred, following completion of the 2012/13 audited financial statements;
- 10 **approved** the following changes to the Equity for Capital projects for DHBs and Other Crown Sector Crown Agencies appropriation for the design, redevelopment and construction of Christchurch Hospital and Burwood Hospital, with a corresponding impact on debt:

Vote Health Minister of Health	\$M – increase / (decrease)				
	2012/13	2013/14	2014/15	2015/16	2016/17 & Outyears
Non-Departmental Capital Expenses:					
Equity for Capital projects for DHBs and Other Crown Sector Crown Agencies	-	426.000	-	-	-
Total Capital	-	426.000	-	-	-

- 11 **agreed** that the above expenditure be included in the Budget 2013 Future Investment Fund spending profile;
- 12 **noted** that the Minister of Finance and the Minister of Health can agree to the use of revenue smoothing techniques that will reduce the CDHB's capital charge and improve transparency of earthquake costs and revenue;
- 13 **noted** that the DBC projects deficits during the build period, but until the long term governance, insurance payout and the revenue smoothing is determined and reflected, the deficit path cannot be confirmed;

- 14 [9]
- 15 **noted** that the residual Balance of the Health Capital Envelope after the \$65 million capital allocation to the Canterbury redevelopment would leave [6]
- 16 **noted** that a submission on the transfer of land between the CDHB and the Christchurch City Council (CCC) will also be submitted to Cabinet;

Collaboration and contribution to the recovery

- 17 **agreed** that the build should be implemented in a manner which is coordinated with the broader Christchurch rebuild including the Health Precinct, and that government-wide initiatives being undertaken by the Ministry of Business, Innovation and Employment, and CERA should provide support and efficiencies to this project;
- 18 **noted** the continued close working between CERA, CCC, CDHB and the project, seeking opportunities for collaboration and cost savings and an integrated approach to transport, parking and energy supply;

Communications

- 19 **agreed** that public communications on the decisions above will be made by the Minister of Health in consultation with the Minister of Finance;
- 20 **agreed** that the HRPG will be responsible for public communications concerning the development and will have sight of staff communications within the CDHB.

Sam Gleisner
Committee Secretary

Reference: SEC (13) 10

Present:

Hon Bill English (Chair)
Hon Steven Joyce
Hon Tony Ryall
Hon Hekia Parata
Hon Amy Adams
Hon Craig Foss
Hon Chris Tremain
Hon John Banks
Hon Dr Pita Sharples

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
Officials Committee for SEC
Ministry of Health

