TE TAI ŌHANGA
THE TREASURY

Reference: 20220073

5 April 2022

[redacted]

Dear [redacted]

Thank you for your Official Information Act request, received on 8 March 2022. You requested the following:

> *7 Dec 2021 - Treasury Report T2021/2813: Northland DHB Community Mental Health budget change approval request*
>
> *7 Dec 2021 - Treasury Report T2021/2755: Lakes DHB Acute Mental Health Facility Redevelopment Budget Change approval request*

Information being released

Item	Date	Document Description	Decision
1.	7 December 2021	Treasury Report T2021/2813: Northland DHB Community Mental Health budget change approval request	Release in part
2.	7 December 2021	Treasury Report T2021/2755: Lakes DHB Acute Mental Health Facility Redevelopment Budget Change approval request	Release in part

We are still processing the documents you have requested for release. Under section 15(1)(b) of the OIA, I am notifying you of my decision prior to delivering the requested documents, with redactions under the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,

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- names and contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment, and

- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Some information has been redacted because it is not covered by the scope of your request. This is because the documents include matters outside your specific request.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

I anticipate the production of these documents (with applied redactions as necessary) will be complete by 8 April 2022, at which point the Treasury will send the information to you. I apologise for the inconvenience.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and released documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Jess Hewat
Manager, Health

OIA 20220073
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THE TREASURY

MINISTRY OF HEALTH
MANATŪ HAUORA

Joint Briefing

Lakes DHB Acute Mental Health Facility Redevelopment Budget Change approval request

Date due to MO:	24 November 2021	**Action required by:**	8 December 2021
Security level:		**Health Report number:**	HR 20212253
		Treasury number:	T2021/2755

To:	Hon Grant Robertson, Minister of Finance
	Hon Andrew Little, Minister of Health

Contact for telephone discussion

Name	Position	Telephone
Karen Mitchell	Acting Deputy Director-General, Infrastructure	s9(2)(g)(ii) and 9(2)(k)
Monique Fouwler	Acting Director, Capital Investment – Infrastructure	
Catherine Manning	Acting Team Leader, Health & ACC, Te Tai Ōhanga - The Treasury	

Minister's office to complete:

☐ Approved ☐ Decline ☐ Noted

☐ Needs change ☐ Seen ☐ Overtaken by events

☐ See Minister's Notes ☐ Withdrawn

Comment:

TE TAI ŌHANGA
THE TREASURY

MINISTRY OF HEALTH
MANATŪ HAUORA

Lakes DHB Acute Mental Health Facility Redevelopment Budget Change approval request

Security level: **Date:** 24 November 2021

To: Hon Andrew Little, Minister of Health

Hon Grant Robertson, Minister of Finance

Purpose of report

1. This report requests your approval of a budget change for Lakes District Health Board (LDHB) Acute Mental Health Facility redevelopment project. The report also requests your approval of s9(2)(f)(iv) additional Crown capital funding for the project.

Summary

2. In August 2020, Joint Ministers approved LDHB's Acute Mental Health Facility Redevelopment Single Stage Business Case (SSBC).

3. The total project cost was estimated at s9(2)(f)(iv). The Crown equity contribution was s9(2)(f)(iv) and the remaining s9(2)(f)(iv) was self-funded by the DHB.

4. LDHB has requested additional funding of s9(2)(f)(iv) bringing the total cost of the project to s9(2)(f)(iv)

5. The Capital Investment Committee (CIC) endorsed the budget increase of s9(2)(f)(iv) for this project at its meeting of 27 September 2021.

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THE TREASURY

MINISTRY OF HEALTH
MANATŪ HAUORA

Recommendations

The Ministry of Health and The Treasury recommend that you:	Minister of Health	Minister of Finance
a) **Note** in August 2020, Joint Ministers approved Lakes DHB's Acute Mental Health project with a budget of s9(2)(f)(iv) , including a Crown equity contribution of s9(2)(f)(iv) prioritised from the Health Infrastructure Package.		
b) **Approve** a budget increase for Lakes DHB's Acute Mental Health project from s9(2)(f)(iv) to cover budget changes.	**Yes/No**	**Yes/No**
c) **Agree** to release an additional s9(2)(f)(iv) from the Health Capital Envelope 2020-2025 appropriation to Lakes DHB to fund their Mental Health project.	**Yes/No**	**Yes/No**
d) **Sign and send** the attached letter to Lakes DHB informing them of your decision.	**Yes/No**	

Karen Mitchell
Acting Deputy Director-General
Infrastructure
Date:

Hon Andrew Little
Minister of Health
Date:

Catherine Manning
Acting Team Leader, Health and ACC
The Treasury
Date:

Hon Grant Robertson
Minister of Finance
Date:

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MINISTRY OF HEALTH
MANATŪ HAUORA

Lakes DHB Acute Mental Health Facility Redevelopment Budget Change approval request

Background

1. This project was prioritised in September 2019 by Joint Ministers from the Budget 2019 appropriation, with an expected budget of s9(2)(f)(iv) (HR20191183 refers).
2. The need to invest was driven by existing facilities not being fit-for purpose due to:
    a. a lack of appropriate inpatient facilities
    b. not being suitable to deliver contemporary therapeutic services
    c. not enabling potential of new models of care.
3. LDHB submitted a Single Stage Business Case (SSBC) to the Capital Investment Committee (CIC) in February 2020. The preferred option in the SSBC was a new build on the Boardroom site at Rotorua Hospital. This option was for an increase of six beds (from 14 to 20 beds) and included four shelled beds.
4. The CIC sought additional information regarding the site location. This was provided to the CIC in May 2020, and the Boardroom site location was confirmed.
5. Joint Ministers approved the SSBC in August 2020 (HR20200249/T2020/2489 refers).

Budget Increase Requested to change site location

6. In April 2021, LDHB decided to change the location of the new facility from the preferred Boardroom site to the Rangiuru Street site. The Rangiuru Street site allows more flexibility in design.
7. The change of site was supported by the neighbouring primary school and Te Kōhanga Reo. The decision was also endorsed by the local Pukeroa Oruawhata Trust.
8. In September 2021, LDHB submitted a request for additional Crown funding of s9(2)(f)(iv) to the CIC. This was to cover increased costs arising from the site change.
    a. s9(2)(f)(iv) due to geotechnical challenges with the new site
    b. s9(2)(f)(iv) due to an increase in escalation based on current market conditions.

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9. The COVID-19 pandemic has caused increasingly difficult market conditions due to:

   a. border restrictions resulting in potential labour shortages

   b. supply chain disruptions that are driving increased shipping costs and may cause delays if appropriate materials cannot be sourced.

10. The revised costings have been provided by the independent Quantity Surveyor Rider Levett Bucknall (RLB).

Recommendations of the Capital Investment Committee and the Health Infrastructure Unit

11. The CIC and the Health Infrastructure Unit (HIU) support the increased costs of s9(2)(f)(iv) and recommend that the additional cost be funded the Health Capital Envelope 2020-2025 Multi-Year Appropriation.

12. This project will be monitored as part of the Mental Health Infrastructure Programme (MHIP) within the HIU.

Treasury comment

13. The Treasury understands the drivers behind this additional s9(2)(f)(iv) investment and supports it being funded from the Health Capital Envelope.

14. s9(2)(g)(i)

Next steps

15. We recommend you sign and forward the attached letter of approval to the Chair of Lakes DHB, informing the DHB of your decision.

Hon Andrew Little

Minister of Health
Minister Responsible for the GCSB
Minister Responsible for the NZSIS
Minister for Treaty of Waitangi Negotiations
Minister Responsible for Pike River Re-entry
Lead Coordination Minister for the Government's Response to the Royal Commission's Report into the Terrorist Attack on the Christchurch Mosques

Dr Jim Mather
Chair
Lakes District Health Board
s9(2)(a)

Dear Jim

Lakes DHB Acute Mental Health Facility Redevelopment Budget Change approval request

Thank you for submitting Lakes DHB's request to increase the budget for the Acute Mental Health Facility redevelopment project.

The Minister of Finance and I are pleased to advise that we have approved this budget variation request and will increase the level of investment with a further Crown equity contribution of s9(2)(f)(iv)

We recognise the increase in budget is based on current market conditions in the construction industry.

Congratulations on securing approval. Please pass on my thanks to your team for their work.

Yours sincerely

Hon Andrew Little
Minister of Health

cc: Nick Saville-Wood, Chief Executive, Lakes DHB
s9(2)(a)
Andrew McCurdie (Acting), Executive Director Finance, Procurement and Supply Chain, Lakes DHB
s9(2)(a)

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Out of Scope

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MINISTRY OF HEALTH
MANATŪ HAUORA

Joint Briefing

Northland DHB Community Mental Health budget change approval request

Date due to MO:	19 November 2021	**Action required by:**	10 December 2021
Security level:		**Health Report number:**	HR 20212119
		Treasury number:	T2021/2813

To: Hon Grant Robertson, Minister of Finance
Hon Andrew Little, Minister of Health

Contact for telephone discussion

Name	Position	Telephone
Karen Mitchell	Acting Deputy Director-General, Infrastructure	s9(2)(g)(ii) and 9(2)(k)
Monique Fouwler	Acting Director, Capital Investment – Infrastructure	
Catherine Manning	Acting Team Leader, Health & ACC, Te Tai Ōhanga - The Treasury	

Minister's office to complete:

☐ Approved ☐ Decline ☐ Noted

☐ Needs change ☐ Seen ☐ Overtaken by events

☐ See Minister's Notes ☐ Withdrawn

Comment:

TE TAI ŌHANGA
THE TREASURY

MINISTRY OF HEALTH
MANATŪ HAUORA

Northland DHB Community Mental Health budget change approval request

Security level: **Date:** 19 November 2021

To: Hon Andrew Little, Minister of Health

Hon Grant Robertson, Minister of Finance

Purpose of report

1. This report requests that you approve additional Crown funding of $11.1 million for Northland DHB's (NDHB) Community Mental Health project.

Summary

2. In June 2020, Joint Ministers approved NDHB's Mental Health Hub project at a total cost of $12.1 million, with a Crown equity contribution of $8.4 million and contribution by NDHB of $3.7 million.

3. NDHB has updated the project budget costs, which have been independently reviewed by a quantity surveyor. The DHB has also re-defined the scope to ensure the facility can still deliver the intended service and meet design standards.

4. The revised project budget is $19.5 million, an increase of $7.4 million.

5. Officials and the Capital Investment Committee support the re-defined project scope given the expected benefits of improved community mental health service provision to Northland's population.

6. Officials and the Capital Investment Committee recommend that you approve additional Crown funding of $11.1 million. This is made up of the:

    a. $7.4 million for the increased project budget and

    b. $3.7 million for NDHB's original self-funding contribution. The DHB is unlikely to be able to contribute any self-funding to the project due to its financial position.

7. s9(2)(f)(iv) [redacted]

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THE TREASURY

MINISTRY OF HEALTH
MANATŪ HAUORA

Recommendations

The Ministry of Health and The Treasury recommend that you:	**Minister of Health**	**Minister of Finance**
a) **Approve** Northland DHB's budget increase for their Community Mental Health project from $12.1 million to $19.5 million.	**Yes/No**	**Yes/No**
b) **Note** in June 2020, Joint Ministers approved a Crown equity contribution of $8.4 million prioritised from the Health Infrastructure Package for Northland DHB's Community Mental Health project.		
c) **Note** a paper is currently in development which will seek the approval to reprioritise the ICT and Remediation placeholders in the Health Capital Envelope in order to make funding available for other projects with short-term funding needs.		
d) **Agree** to release an additional $11.1 million from the Health Capital Envelope 2020-2025 appropriation to Northland DHB to fund their Community Mental Health project, subject to future Joint Ministers approval to reprioritise the ICT and Remediation placeholders.	**Yes/No**	**Yes/No**
e) **Sign and send** the attached letter to Northland DHB.	**Yes/No**	

Karen Mitchell
Acting Deputy Director-General
Infrastructure
Date:

Hon Andrew Little
Minister of Health
Date:

Catherine Manning
Acting Team Leader, Health and ACC
The Treasury
Date: 8/11/2021

Hon Grant Robertson
Minister of Finance
Date:

TE TAI ŌHANGA
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MINISTRY OF HEALTH
MANATŪ HAUORA

Northland DHB Community Mental Health budget change approval request

Background

1. In June 2020, Joint Ministers approved Northland DHB's (NDHB) Community Mental Health Hub Single Stage Business Case at a total project cost of $12.1 million (20201116 / T2020 /2578 refers). Joint Ministers agreed a Crown equity contribution of $8.4 million, with the remaining $3.7 million self-funded by NDHB.
2. NDHB's project will bring community mental health services currently provided from four separate locations into a single location, Manaia House. The new facility is expected to increase capacity by 60 – 250 patients.
3. The proposed Community Mental Health Hub will consist of three levels.
    a. Ground Floor (Adult Mental Health)
    b. First Floor (Child Mental Health)
    c. Second Floor (Administration).
4. The approved project budget was for the purchase of Manaia House at a cost of $6.0 million, and its fit-out as a Community Mental Health Hub costing $6.1 million.
5. In early 2021, NDHB advised the Ministry of a significant increase in the project budget following its update of costs in the original business case. NDHB had the updated costs independently quantity surveyed (QS).
6. NDHB also advised that elements of the design that it previously removed to reduce costs have been re-incorporated to meet design standards, and to ensure the facility can deliver its intended service.
7. As a result, the estimated total cost for the project has increased by $7.4 million, from $12.1 million to $19.5 million.
8. A table with a breakdown of the costs of the revised budget is provided at Appendix One.

Budget Increase – Analysis

9. The budget increase is mainly attributed by the following components:
    a. Feasibility estimate
    b. Additional staffing requirements
    c. Non-Quantity Surveyor estimate costs

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Feasibility estimate

10. The remediation work required at Manaia House included some minor weather-tightness issues identified as part of the due diligence for the building purchase. The fit-out costs were a feasibility estimate and preceded design and investigation work, therefore the quantity surveyor used a standard square metre rate for office fit out.

11. Once NDHB's architects completed the initial concept designs, the floors were more intensively developed than a standard office fit out. Consequently, there are a larger number of rooms which required more partitions, materials, fittings, service connections and other building elements. This has contributed to the overall increase in fit-out costs

Additional staffing requirements

12. From the initial concept design to the current scope, the number of staff accommodated in Manaia House will increase by around 60, from 190 to 250. This includes growth in existing teams, new home-based treatment and crisis teams (around 43 staff in total) and the addition of suicide prevention workers, educators and a new consumer lead, and psychology for older people team.

13. Due to additional staff requirements, the costs of fit out for all three levels has increased as NDHB have replaced the open plan office space with more consultation and meeting rooms, resulting in the more intensive utilisation. This has also contributed to the overall increase in fit-out costs.

Non-Quantity Surveyor estimate costs

14. NDHB has advised that elements of the design that were previously removed to reduce costs have been re-incorporated to meet design standards and to ensure the facility can deliver its intended service. These elements are costs that have been excluded from quantity surveyor's (Rider Levett Bucknall (RLB)) estimates:

    a. Anti-ligature requirements
    b. Escalation costs
    c. NDHB internal costs
    d. Additional fire regress costs
    e. HealthAlliance costs
    f. Business Case development costs

15. Business Case development costs mostly consisted of capitalised staff salaries during 2019 and 2020 calendar years. These costings include project management and coordination work as well as writing of the original business case.

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16. Escalation costs have been calculated internally. RLB did not include escalation costs in their estimates because they have not had a project programme. NDHB are currently developing preliminary designs for the project and RLB is now updating their cost estimates accordingly. This also includes a detailed programme for the work to 2024, so RLB's updated estimates will incorporate escalation.

Recommendation of the Capital Investment Committee

17. At its July and August 2021 meetings, the Capital Investment Committee (CIC) considered NDHB's proposal to either de-scope the project to fit in the original project budget or self-fund the increased budget of $7.4 million.

18. Officials and the CIC supported the re-defined scope of the project given its expected benefits of improved care of patients with mental illness in Northland.

19. The CIC agreed with the Ministry's Health Infrastructure Unit (HIU) and the Treasury's view that the full scope of the project should be Crown-funded because NDHB is unlikely to be in a financial position to contribute any self-funding to the project.

20. The CIC recommended an additional $11.1 million from the contingency funding of the Health Capital Envelope 2020-2025 appropriation for the project. The additional funding comprises NDHB's original self-funding contribution of $3.7 million, and the $7.4 million for the budget increase.

Treasury comment

21. The Treasury supports this investment in principle, noting that funding should not be committed until Joint Ministers have reprioritised the Remediation and ICT placeholders.

Next steps

22. Officials and the CIC recommend you sign and forward the attached letter of approval to the Chair of Northland DHB, informing the DHB of your decision.

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MINISTRY OF HEALTH
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Appendix One: Breakdown of NDHB's revised capital cost estimated budget of $19.5 million

Table 1 - Estimated capital costs of revised budget

Item	Cost
Architectural fit out	$3,638,000
Services fit out	$4,202,000
Soft fit out (furniture and equipment)	$1,255,000
Design fees 10%	$784,000
Contingency 10%	$1,029,000
Business case development	$200,000
Anti-ligature requirements costs	$675,000
Additional fire regress costs	$200,000
HealthAlliance supply & install	$200,000
Consents	$60,000
Northland DHB Internal Costs (3%)	$529,000
Escalation to 2024	$923,000
Building purchase	$5,823,000
Total cost	**$19,518,000**

Hon Andrew Little

Minister of Health
Minister Responsible for the GCSB
Minister Responsible for the NZSIS
Minister for Treaty of Waitangi Negotiations
Minister Responsible for Pike River Re-entry
Lead Coordination Minister for the Government's Response to the Royal Commission's Report into the Terrorist Attack on the Christchurch Mosques

Harry Burkhardt
Chair
Northland District Health Board
s9(2)(a)

Dear Harry

Northland DHB Community Mental Health Hub project budget increase

Thank you for submitting Northland DHB's request to increase the budget for the Community Mental Health Hub project. The Minister of Finance and I are pleased to advise that we have approved this budget variation request and will increase the level of investment with a further Crown equity contribution of $11.1 million.

We have agreed that the increase in budget will incorporate elements to meet design standards and ensure the facility can deliver its intended service. Furthermore, we acknowledge your desire to bring community mental health services currently provided from four separate locations into a single location, Manaia House.

Congratulations on securing approval. Please pass on my thanks to your team for their work.

Yours sincerely

Hon Andrew Little
Minister of Health

cc: Dr Nick Chamberlain, Chief Executive, s9(2)(a)

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