NEW ZEALAND
INFRASTRUCTURE
COMMISSION
Te Waihanga

Mental Health Infrastructure Programme Review

Technical Review for Te Whatu Ora

20 December 2022

Table of Contents

Foreword

Safe, fit for purpose health facilities are essential for a well-functioning health and disability system. Investment in health facilities- their location, size and design, can help new ways of working and the delivery of better health outcomes.

New Zealand's network of acute mental health facilities are an important part of our health infrastructure network. While significant work has been done by the DHBs to reduce acute admissions, there is still a significant need for specialised facilities with the ability to deliver a contemporary model of acute care, and the ability to deliver a more culturally responsive experience, leading to reduced inequity of mental health outcomes for Māori.

The investments captured by the Mental Health Infrastructure Programme will go a considerable way to addressing some of the most urgent critical facility deficiencies identified in the National Asset Management Plan and provide a platform for modernising the approach to mental health care. We recognise the importance of this investment and the need to have it completed as soon as practically possible.

The Mental Health Infrastructure Programme was established as part of the Ministry of Health's Health Infrastructure Unit (HIU) in early 2021, to pilot the HIU operating model and support DHBs delivering mental health capital projects, as necessary. This central leadership has resulted in significant improvements, including greater inclusion of kaupapa Māori and iwi engagement, an uplift in the quality of design documentation and improved service planning. However, the way projects are being planned and delivered remains variable across the sector. There is variability in capacity and capability, management and governance which, coupled with the disruption and subsequent focus on priority projects related to COVID-19, has resulted in increasing concerns around progress and delivery.

We trust this report helps create a better understanding of the status of the projects and the challenges they are currently facing. This report reflects a point in time and the challenges need to be viewed in the context of current market conditions and a reform process already underway to address many of historic concerns in the way health capital has been planned. We note that many of the recommendations made in this report have already been actioned prior to finalisation of our work.

Te Waihanga would like to thank all those who have contributed openly to this report. We appreciate the passion you have shown to improving health outcomes for all New Zealanders and we look forward to working with you as you continue to grow the maturity of approach to health infrastructure delivery.

Blake Lepper | GM Infrastructure Delivery - Kaiwhakahaere Whakatū Hanganga

1 Executive Summary

1.1 Introduction

The Government Inquiry into Mental Health and Addiction was announced early in 2018. The catalyst for the inquiry was widespread concern about mental health services, within the mental health sector and the broader community, and calls for a wide-ranging inquiry from service users, their families and whānau, people affected by suicide, people working in health, media, Iwi and advocacy groups.

He Ara Oranga[1] (the report of the Inquiry into Mental Health and Addiction) revealed that we need a whole new approach to mental health and addiction in New Zealand.

In response to this report, the Government prioritised mental health investments in the 2019 $1.9b mental health and addiction package (Budget 2019 Package). Included within this package was funding for a number of District Health Boards to build, refurbish or upgrade their acute mental health facilities

In mid-2022, with Ministers recognising the importance of the mental health investment, the Department of Prime Minister and Cabinet asked Te Waihanga to provide infrastructure expertise to support a review into each of the mental health infrastructure projects. In doing this, we engaged expert reviewers from two suitably qualified firms.

This report contains a high-level review of these projects – each in different stages of planning and completion – and recommendations for improving their delivery.

There are significant lessons that can be drawn from this report that will help Te Whatu Ora complete the scope of work that they have inherited and guide the way in which future investment planning should work.

1.2 Context for the investment

What has become known at the Mental Health Infrastructure Programme (MHIP), is a series of 16 projects refurbishing, rebuilding, or upgrading mental health units. The MHIP has ring-fenced total funding of $722.5m, of which $235m was funded in the Budget 2019 Package. The remainder was funded through the 2020 New Zealand Upgrade Programme (NZUP), the 2015 and 2018 Budgets, and baseline funding previously held by the DHBs.

These 16 projects were scoped and initiated under the direction of the former District Health Boards (DHB). In early 2021, they were placed under the oversight Mental Health Infrastructure Programme (MHIP) within the then Ministry of Health's Health Infrastructure Unit (HIU) – under this arrangement the HIU had varying levels of involvement with the individual projects with project accountability remaining with the DBH's in most cases

In July 2022, Te Whatu Ora – Health New Zealand and Te Aka Whai Ora – Māori Health Authority became Aotearoa's new national health authorities, and the District Health Board (DHB) frameworks were disestablished.

When Te Whatu Ora was transferred the projects, they also inherited the consequences of past decisions and project directions that were already set in train.

[1] https://mentalhealth.inquiry.govt.nz/assets/Summary-reports/He-Ara-Oranga.pdf

While each project has its own recommendations, reviewers found some common issues which have caused delivery challenges for the projects. Unsurprisingly, these mirrored issues that underpinned the 'case for change' in the delivery of health infrastructure during the recent health sector reforms. This is understandable, given that all these projects were conceived, and their delivery begun, under the previous health system's de-centralised DHB model.

Common, underlying issues have been observed on these projects include:

- The lack of a long-term national investment strategy – which made it difficult for projects to understand in advance the likelihood of funding certainty. This created a system unwilling to invest significantly in investment planning and a pattern of 'light touch' business cases. Which in turn led to projects being announced with schedules and budgets that later had to be modified (when detailed business case/design work showed up the true realities of the situation).
- Approval pathways, delegations and sign-off processes were not well understood by the district teams. Further, timing to provide approvals took longer than project schedules had allowed for.
- Apparent lack of forward planning to drive an overall investment strategy in some cases led to location or scope of individual investments changing after the business case was approved – which then caused considerable delays.

Given these issues and the wider context (including a very constrained construction market and disruptions caused by the health reforms and COVID-19), it was unlikely that the 16 individual projects that now comprise MHIP were ever going to meet Ministerial and public expectations around delivery.

1.3 Where to from here?

The reviewers were pleased to be advised by Te Whatu Ora's Infrastructure and Investment Group (IIG) that there are workstreams underway which align in part (or fully) with the recommendations in this report. These include:

- Strengthening business case process – a business case framework has been developed and business case guidance and templates are being developed.
- Strengthening project budget expectations and expertise – a contingency management policy has been drafted that will sit alongside cost estimating guidelines that are being developed.
- Communications on delegations and approval pathways (albeit that the delegations for approvals for cost pressures and scope changes are set in the Capital Settings agreed by Cabinet so are not able to be changed by Te Whatu Ora).
- Greater standardisation and National Planning – a project delivery framework is under development, facility design guidelines have been published, the National Asset Management Strategy and Capital Investment Plan are deliverables under Te Pae Tata.
- Increasing project delivery resources and SRO leadership support – a governance framework that will provide guidance on appropriately sized governance arrangements based on a project's size and complexity is in development which will include Terms of Reference and guidance for SROs and governance members.
- Strengthening stakeholder engagement skills and guidance – all the work being undertaken in relation to business case standardisation, planning, facility design guidance, project delivery frameworks, governance and the like will reduce the need to have lengthy and significant stakeholder engagement and will ensure that expectations are managed.

The centralisation of the health system creates significant opportunities to improve the way in which health capital is procured and delivered. Te Whatu Ora is a new entity and it will take some time for these opportunities and benefits to be realised.

While responsibility for the projects have coalesced into a single entity, Te Whatu Ora is yet to confirm potential changes in operating model that would unlock the step change in capital delivery. That is, although IIG is overseeing the MHIP, the accountability for many of the projects still sits with the districts and regions and many of the project teams are not part of IIG at the time of the review.

Implementing the recommendations in this report will require the IIG to have a stronger mandate than it does presently, either with direct accountability for delivery or the power to direct process and progress.

Work on a revised operating model for the IIG has occurred in parallel to this review and is outside the scope of these findings.

1.4 Summary of Project Findings

Through reviewing project documentation and interviews with key personnel, this report provide a high-level review of:

- the status of delivery, robustness of the estimated completion dates, risks and issues of each project; and
- any actions that will get projects moving without delay.

Of the 16 projects, three are pre-business case, nine are in various stages of design, two are in construction and two are complete. For the projects in detailed design nearing the point of contractor procurement, there is limited ability to accelerate these projects. Where projects were complete, the focus was on identifying lessons learnt including considering benchmarking for time and cost.

The Reviewers have found that seven projects need urgent attention to either commence or to maintain momentum[2]:

- Waikato – Decoupling of the renal facility from the mental health facility to minimise the risk of extension.
- Taranaki – Confirm which option is the preferred way forward and confirm funding.
- Mid-Central – Noting this is significantly over budget, confirm additional funding prior to going to tender for the construction services, or alternatively confirm additional funding is not available.
- Tauranga – Confirm scope to allow a suitable business case to be developed.
- Whakatane – Decouple this from the Tauranga project and confirm approval of the business case.
- Lakes – Conduct a project health check particularly given the indicated project budget increases and challenges with the project team.
- West Coast – Confirm involvement of Ōtākaro in the project in order to set clear direction for the external teams involved.

[2] Project level findings where shared with Te Whatu Ora as they were developed. As a result it is understood that many of these recommendations have been actioned prior to the publication of the report and concerns have already been resolved. As we have not verified the actions they are reproduced in full for completeness.

Further, there are several common themes that need review across all projects:

- Re-baselining of the project schedules to reflect the current situation of the project.
- Re-baselining of the project budgets to reflect the current project position.
- Clarification and communication of the delegation, approval, and communication pathways for aspects of the projects including business case and contract award.

Project level comments and recommendations have been provided for the 16 MHIP projects. These are detailed in section 3.1 and in the individual project reports in Appendix D.

1.5 Common project issues

While the original purpose of the review was to take a deep dive into the individual projects to identify any actions that would get projects moving without delay, the review identified common issues across many of the projects.

For MHIP projects still in the pre-business case phase there is the opportunity to learn from the projects that have gone before them. Through better initiation and planning they have the ability to be delivered more efficiently and deliver better outcomes.

The key themes observed from this Review across the 16 projects included:

- **Business Cases:**
  - Business cases often appeared to be prepared on little information as there was less appetite to advance the design if the funding availability was unknown.
  - Project schedules appeared to lack both sufficient detail and be optimistic with little to no float allowed for. This resulted in unrealistic project completion dates being set.
  - Project budgets were observed to be under pressure because unrealistic expectations were set. For example, insufficient information at business case set unrealistic expectations, escalation, and scope changes).

- **Master Plans and Capital Roadmaps:**
  - In several cases, potentially due to the lack of a clear site master plan, the location of the facility was changed after the business case was approved. This caused cost pressures and changes to the project schedule.
  - The apparent lack of a clear capital roadmap/site master plan has led to the commencement of projects without full understanding of the impact on the wider campus. Noting that projects can occur out of sequence due to external factors, consideration should be given to what impact this will have on the wider masterplan to ensure efficiency is maintained at a campus level.

- **Project Delivery Resources:**
  - Different districts have differing internal capacity to deliver capital works. These range from a dedicated team to deliver the projects to individuals which are managing these projects in addition to their operational roles. In circumstances where the IIG team have been engaged in a project, this has resulted in a more robust delivery strategy being developed and adopted.
  - The apparent lack of structured engagement with the district facilities management teams in some cases has led to the interface with the client and facilities being sub-optimal. Without the institutional knowledge of the internal stakeholders, the integration of the new facilities into the existing campus, a fit for purpose outcome is hard to achieve. This has the potential to result in additional consultant time learning and documenting existing infrastructure.

- **SRO Leadership and Support:**
  - Across the districts the SROs for the capital works projects appear to have varying levels of capacity to oversee the project delivery.
  - The technical project support required to manage the project delivery was available in some districts and not others.

- **National Design Consistency:**
  - There was a duplication of effort and inefficiency through the design and engagement process observed because design thinking, standardisation of room layouts, selection of fittings and other potentially repeatable items were not being well shared nationally or integrated into future designs.

- **Procurement and Contracts:**
  - The 16 projects reviewed were engaged under the DHB framework. Given the lack of centralisation and standardisation in contract forms and scopes, this resulted in differing procurement models and bespoke contracts for consultants and contractors.

- **Project Schedules**
  - The project schedules provided to the review team varied widely in their level of detail and sophistication. Several of the schedules appeared overly optimistic with little to no float. In some cases, the schedules appeared to be out of date and not reflective of the current situation.

- **Stakeholder engagement:**
  - The stakeholder engagement process (e.g. with clinical and surgical teams, facilities management teams etc) appeared to vary widely across different districts. In some circumstances, this appeared to cause confusion as to who should be engaged with and what the process is, particularly in the early phases of the project (i.e. pre-design/design). The timing of this engagement, particularly when post-business case, led to an ill-defined scope and the cost and schedule being under pressure from the start.

- **Authority to execute and delegations**
  - The contract execution process, in particular the need for and requirements of an implementation business case, was not clear to the project teams causing lengthy approval timeframes and in some cases resulted in a critical constraint to commencing physical works.
  - Business cases, other documentation provided, as well as the interviews highlighted that the delegations and pathways for decision making and change management were not clear. This apparent lack of clarity has resulted in slower than ideal decision being made on behalf of the client.

As MHIP is already operating as a ring-fenced programme it is well placed to take advantage of the opportunities presented by the reform, continuing to build on the good work commenced under the previous heath sector structure.

Recommendations regarding project initiation and planning that IIG should focus on going forward are detailed below.

Rec No.	Recommendation
Business Cases	
1	For projects that have not yet reached concept design, whether the business case is approved or not, consider further planning and development to ensure a robust plan. This will provide more robust project cost and timeframes which in turn will support successful delivery and measurement against realistic metrics. Development of the business case should identify how established Clinical Services Plans and Models of Care will be implemented through the proposed facilities.
2	Provide IIG with suitable resources (i.e., financial and staffing) to support the regions with the preparation of business cases to a sufficiently detailed standard (which includes cost and time). This would allow for the preparation of standardised business cases to support a national infrastructure approach whilst retaining a regional and local perspective.
3	Provide for standardised contingency percentages for projects for each phase of a project. This should include two central pools of additional funding within Te Whatu Ora for the management of a number of projects or programme – one for contingency and one for escalation. In the case of mental health this could be managed by MHIP subject to the operating model and appropriate delegations being in place and supporting this. *Refer to page 89 of the Health Infrastructure Review*. It was noted by IIG that work to standardise project cost plans is underway with the use of external quantity surveyors. Te Waihanga support this work in principle.
Master Plans and Capital Roadmaps	
4	Each district/region in New Zealand should have a master plan for capital works. This would be informed by the development of: ● national service planning (including Model of Care); ● a national infrastructure master plan (which would allow for a robust and prioritised 10-year pipeline of capital works); and ● a national asset management plan. (The Reviewers have been advised that these foundational components are a key piece of work for Te Whatu Ora/IIG.)
Project Delivery Resources	
5	Capital projects over a certain size or higher risk profile (to be determined by Te Whatu Ora) should be nationally supported, regionally managed, whilst ensuring local engagement. Noting there is maturity and health expertise within Te Whatu Ora that could be shared to strengthen project leadership. This will ensure that the national institutional knowledge is leveraged to support local input and insight. Allow IIG to scale-up appropriately to assist early with the management of projects (where required). This would allow people with project delivery skills to assist SROs and projects across the country from a technical perspective. The initial review identifies the following projects may warrant additional support: Lakes, Tairāwhiti (already under IIG), Taranaki, MidCentral, Tauranga, Whakatāne; and West Coast (moving under IIG management).
6	Nominate a key person for each project that can be the interface between the clinical and design team. This will assist in communicating the relevant information and ensuring timely decision making. This person would be from within the regional health organisation and have an intimate knowledge of the campus.
National Design Consistency	

Rec No.	Recommendation
7	Where appropriate, adopt the Australasian Health Facility Guidelines (AusHFG) whilst identifying the necessary changes (if any) to suit the New Zealand context. Consideration should be given to the mechansims required to ensure that this is implemented consistently at a national level.
8	Create key documents and standards and store in a central repository relating to mental health projects that delivery teams can easily access. For example: • functional design brief; • product specification; and • performance specification (including mechanical and electrical). Whilst the above documents are design related, further project delivery guidance could be provided in this central repository.
9	Consider construction of a mental health mock-up room for national review. We understand this has been done in the education sector to allow stakeholders and user groups to engage with the final product before it being built. This would inform a standard room that could be implemented into varying site layouts.
Procurement and Contracts	
10	IIG should develop a suite of standardised contracts for projects (i.e. consultant contracts and construction contracts). Contracts should be standard form contracts with additional clauses only included where absolutely necessary. A suitable level of flexibility should be built into this standard suite of documents to allow for the size, scale, complexity and any specific project needs.
Project Schedules	
11	Provide a more robust and standardised way in which project schedules are prepared and managed within Te Whatu Ora. This should include: • Standardisation for the preparation of project schedules to ensure they are prepared in the same way. • Robust monthly reviews and interrogation of schedules. • Clear identification of the critical path. • Logic linked schedules.
Stakeholder Engagement	
12	IIG to prepare guidelines to stakeholder groups regarding appropriate areas of input into each of the design phases. To maintain a design programme, it is important to set expectations and incorporate structured feedback from the stakeholder groups in line with the design phases. Also important is sufficient time allowed for in the project schedule to allow this to be a robust process.
Authorities to execute and delegations	
13	Te Whatu Ora and IIG should consider whether delegations and authorities are appropriate to enable projects to be efficiently delivered. Once reviewed, this should be well documented and communicated to the regions and districts.
14	Develop and communicate a programme and project change management plan that clearly identifies roles and responsibilities as well as delegations. This should describe who holds the delegations to make varying levels of change and a clearly defined approval pathway to ensure project momentum is maintained.

Te Waihanga understands that some of this work is already underway. The IIG has highlighted the following deliverables that will benefit these projects going forward and are aligned with our recommendations:

- Developed HIU/IIG engagement model for how the HIU/IIG can assess its level of involvement for individual projects (Recommendation 5);
- Developed facility design guidance for acute mental health inpatient facilities, to complement the Australasian Health Facility Guidelines (AusHFG) (Recommendation 7); and
- Established central commercial and procurement function (Recommendation 11).

1.6 Next Steps

While the focus of this report was on projects within MHIP, Te Waihanga considers the real benefit for Te Whatu Ora is taking the lessons from MHIP and using this to inform how the IIG continues its evolution within the new health structure. The establishment of Te Whatu Ora and Te Aka Whai Ora presents significant opportunity for improvement to the current capital delivery system and the programme level recommendations speak to this opportunity.

As noted above, IIG have workstreams underway which will likely address some of the recommendations and findings contained within this report.

Te Waihanga hopes this report will provide a useful reference for Te Whatu Ora to help prioritise actions and specific areas that will make the most difference at a project level, ultimately ensuring that there is greater confidence in, and outcomes from, New Zealand's health capital investment.

2 The Review

2.1 This review

Direction to Review

The Deputy Prime Minister and the Minister of Health directed the Implementation Unit (IU) within the Department of Prime Minister and Cabinet (DPMC) to undertake a deep dive (Review) into each of the 16 Mental Health Infrastructure Programme (MHIP) projects to provide Ministers with advice on:

- the status of delivery, robustness of the estimated completion dates, risks and issues of each project; and
- any actions that will get projects moving without delay (as each project is reviewed rather than at the end of the Review of all 16 projects).

On 23 June 2022, DPMC formally requested Te Waihanga to provide assistance with respect to suitable infrastructure expertise for this Review. On 26 July 2022, Te Waihanga engaged expert reviewers to provide objective advice. These reviewers were from two suitably qualified firms, Rubix (a national independent Project Management consultancy) and Rawlinsons (Cost Managers, Quantity Surveyors, Cost Engineers) (Expert Reviewers) and collectively they have significant experience in:

- Quantity Surveyor costing and services, including experience with major health facilities; and
- Programme experience across large-scale infrastructure builds within the New Zealand market context.

Te Waihanga with IIG and IU confirmed a priority order for the review of the projects. This is detailed in Appendix A. In practice, project reviews were conducted in parallel and not always sequentially as originally envisioned to support timely findings. This was largely due to scheduling interviews with, and availability of, interviewees.

The following three stage process was agreed by the Parties and is outlined in greater detail in Appendix B:

- **Stage 1** - Document Review
- **Stage 2** – Interviews
- **Stage 3** – Reporting

To provide alignment with IIG's delivery phases, the projects were divided into Te Whatu Ora's Delivery phases. Further details are provided in Appendix B. The interviewees that the Expert Reviewers interviewed can be found at Appendix C.

Projects were reviewed at a high level and with consideration of the project stage. All the projects were assessed against a baseline of what the Expert Reviewers would expect a project at that phase to have documented and in place. Due to time constraints:

- This Review does not constitute a true deep dive as a significant time per project would be required to investigate to this level.
- Including the availability of project documentation, Stages 1 and 2 of the review were carried out in parallel. Noting that all documents received in a timely manner were reviewed. Where

documents were not provided, it does not necessarily mean they do not exist (e.g. they may not have been provided within the timeframe for this review).

- No contractors were interviewed. This was due to few projects being in construction and late agreement to their involvement by IIG.

This thematic report has been prepared by Te Waihanga whilst the 16 project reports have been prepared by the Expert Reviewers.

Background to MHIP

The MHIP includes capital allocations for refurbishing, rebuilding, and upgrading mental health units. The MHIP currently includes 16 projects with total funding of $722.5m, of which $235m was funded in the Budget 2019 Package. The remainder is funded through the 2020 New Zealand Upgrade Programme (NZUP), the 2015 and 2018 Budgets, and baseline funding previously held by the DHBs.

In July 2021, MHIP was formed as a ring-fenced programme under the oversight of the Health Infrastructure Unit (HIU) (now the IIG). Responsibility for the delivery of MHIP projects sits with Te Whatu Ora and in most instances the projects are delivered by the local district team (formerly DHBs). IIG took over project management of the Tairāwhiti project in September 2021. In addition, IIG have recently taken over project management responsibility for the Tauranga, Whakatāne and Lakes projects and are delivering the Hutt Valley project in partnership with a third-party benefactor.

Of these 16 projects, three are in the define phase, nine are in the design phase, two are in construction and two are complete.

The Review has identified several common challenges across the MHIP, many of which reflect the broader challenges at play within the health sector. This paper aims to address the thematic challenges seen across the MHIP projects and provide tangible recommendations for more realistic expectation setting as well as more effective project delivery. There appears to be very limited opportunities to accelerate projects.

2.2 Context

Health system reform

In March 2020, the New Zealand Health Disability System Review (HDSR) was delivered to government. The review recommended system-level changes to the New Zealand health system that would be sustainable, lead to better and more equitable outcomes for all New Zealanders and shift the balance from treatment of illness towards health and wellbeing.

The HDSR identified that the system for planning and delivering capital was not cohesive or effective. The review noted the establishment of the HIU (now IIG) and proposed that it continue as part of Te Whatu Ora providing centralised expertise and support for investment management, asset management and the delivery of major investment programmes.

On 1 July 2022, Te Whatu Ora – Health New Zealand and Te Aka Whai Ora – Māori Health Authority became Aotearoa's new national health authorities, and the District Health Board (DHB) frameworks were disestablished.

Health Infrastructure Challenges

Prior to the establishment of Te Whatu Ora – Health New Zealand and Te Aka Whai Ora – Māori Health Authority became Aotearoa's new national health authorities, the health infrastructure challenges included:

- **Capital intentions far in excess available funding:** Driven by population growth and long-term underinvestment, capital intentions have far exceeded available funding.
- **Lack of an overall investment strategy has meant that demand for infrastructure investment is driven bottom-up:** To date, investment in health infrastructure has almost entirely been driven by DHBs (i.e. demand for infrastructure investment is bottom-up. Prioritisation for the health capital envelope has largely been based on a first-in best-dressed approach.
- **Health capital process with DHBs was not working:** The health capital process, from DHB identified capital intentions, prioritisation, business case, design and build to completion could take anywhere from three to 12 years. To secure funding, DHBs had to prepare a business case, which could take between 18 months and three years and this placed a heavy burden on DHB resource with no certainty of a successful outcomes. Many business cases were not well supported by robust planning, understanding of current assets and risk of service failure, or detailed consideration of whole of life and operating impacts. Delays in the process arise as a result.
- **Absence of national service plan to drive an overall investment strategy:** The HDSR highlighted the many challenges arising from the current lack of service planning in New Zealand. The review recommended the development of a Long-Term Health Outcomes and Services Plan (the NZ Health Plan) encompassing capital, facilities and major equipment, modern ways of working and models of care, data and digital technologies and workforce.
- **Current state assessment highlights poor state of health facilities:** The National Asset Management Programme (NAMP) has highlighted the poor state of health facilities. By way of example, the average age of health campuses range from 28 to 53 years, many facilities score poorly against design principles for clinical fitness for purpose and around 70 percent of mental health facilities do not meet therapeutic and safety requirements.
- **Planning and designing new facilities is largely a bespoke process:** Planning and designing new health facilities takes longer and costs more than it should. Use of the Australasian Health Facility Guidelines (AusFG) has not been rigorously applied as in other jurisdictions. Instead of reinventing the wheel each time, a standardised approach could significantly reduce cost.
- **Past governance arrangements have resulted in confused accountabilities and decision rights:** The HDSR identified considerable variability in the quality of governance arrangements for project delivery.
- **Monitoring and assurance are currently limited:** Monitoring to date has largely focused on prioritised projects as they make their way through business case and delivery stages (i.e. time and cost). It did not include explicit measure for availability of robust investment planning, asset management capability, or veracity in capital intentions.

Health reform – opportunities for health infrastructure

The establishment of Te Whatu Ora and Te Aka Whai Ora presents significant opportunity for improvement to the current capital delivery system. These opportunities include:

- **Investment planning:** Better input to prioritise decisions, better planning for investment, better investment ready business cases.
- **Asset management:** Better understanding of critical infrastructure and performance.
- **Delivery:** delivering better through increased support for project delivery, improved stewardship and governance by all parties in the investment management system being clear on

expectations, working together to invest and deliver better and lifting in project governance capability aligned with best practice.

- **Monitoring:** improved monitoring and assurance through increased understanding of the performance of the health capital process and identification of opportunities for improvement.

Context of the findings of this Review

When considering the review findings and recommendations in this report, it is important to consider the timing of this Review. During the time of the review, the IIG had varying levels of involvement with the individual projects under review. This is summarised in the table below:

Site	Project Description	IIG Intervention Level (September 2022)
Waitematā	New build - replacement of part of the Mason Clinic	1 IIG on project governance
Waikato	New build - replacement and capacity expansion of the acute mental health facility	2 IIG on project governance and targeted support
Canterbury Hillmorton Redevelopment Tranche 1	Hillmorton Hospital Campus Masterplan – Stage 1	2 IIG on project governance and targeted support
Counties Manukau	New build of mental health inpatient unit to address capacity to 2030	N/A project completed
Capital & Coast	New build individualised service units for high-risk mental health and intellectual disability clients	N/A project completed
Tairāwhiti	Refurbishment/ replacement of the existing acute mental health facility	3 IIG delivering
Northland	Refurbishment, co-location, and integration of 4 community mental health service sites	0 Light-touch (by exception)
Taranaki	Refurbishment and upgrade mental health facility	0 Light-touch (by exception)
Nelson Marlborough	Refurbishment of inpatient unit	0 Light-touch (by exception)
MidCentral	New build of acute mental health facility currently on the main campus	2 IIG on project governance and targeted support
Hutt Valley	New build/replacement of the Te Whare Ahuru Mental Health unit	3D IIG delivering with partner
Bay of Plenty Tauranga	New build of 24-bed mental health facility	3 IIG delivering
Canterbury Relocation of specialist services from Princess Margaret to Hillmorton	New build to relocate specialist services from Princess Margaret to Hillmorton	0 Light-touch (by exception)
Lakes	New build replacement and capacity expansion of current mental health facility	3 IIG delivering
Bay of Plenty Whakatāne	New build of a 10-bed mental health and addiction service facility	3 IIG delivering
West Coast	New build to provide modern environment	3D IIG to work with third-party partner to deliver (still in progress/not yet implemented).

The disestablishment of the DHBs and the establishment of the new co-governing national health authorities has led to a lack of clarity within some teams regarding reporting lines, delegated authorities and other operating systems. Whilst it is anticipated that the development of the IIG Operating Model currently underway will address this, some recommendations below will be necessarily broad reflecting the lack of clarity available to the Te Waihanga reviewers.

The establishment of Te Whatu Ora and Te Aka Whai Ora presents significant opportunity for improvement to the current capital delivery system beyond the MHIP. These opportunities include:

- Standardisation of facility requirements and design;
- Standardisation of delivery processes e.g. procurement and contract engagement process;
- Increased collaboration across district and regional teams; and
- National planning and efficient delivery of the current pipeline of mental health infrastructure required for New Zealand.

The MHIP project teams interviewed during the review were all engaged and highly committed to improving New Zealand's mental health facilities and services.

The themes observed and recommended actions below, whilst they relate to the MHIP projects, will likely apply across broader health infrastructure in New Zealand.

3 Summary of Project Recommendations

3.1 Summary of Recommendations

This table summarises the recommendations per project and has been taken from the reports annexed in Appendix D.

These project findings represent the specific point in time that the reviews were carried out. Project level findings were shared with Te Whatu Ora as they were developed. It is understood that many of these recommendations have been actioned prior to the publication of the report and issues are now resolved. As we have not been in a position to verify the actions with the project teams they are reproduced in full for completeness.

Project	Recommendations
Waitematā - New build - replacement of part of the Mason Clinic (note: Tranches 1A/1B were merged into one project in Apr 2022) in post approval design phase with $162.8 million in Crown funding allocated.	• Confirm the approval process of the construction contract, and delegate the authority to the Project Steering Group or SRO if possible. • Confirm where and how the IBC fits into the project approvals process. • Confirm the Delegated Authorities around approval of the ECI contract and acceptance of contract sum. • [redacted] 9(2)(j)
Waikato - New build - replacement and capacity expansion of the acute mental health facility in detailed business case phase with $100 million in Crown funding allocated.	• The WRRC and AAIF Projects should be de-coupled in terms of funding approval and the IBC process to avoid delays to the WRRC Project and ultimately the AAIF Project. • The IBC process should be confirmed so that an appropriate allowance can be made in the project schedule (for both projects). If this process could be expedited, then there may be project schedule benefits to both projects. • The approval processes and delegated authorities for the Project should be defined so that they can be appropriately allowed for in the project schedule. • Consider whether there are any project schedule benefits to relaxing the procurement requirements for the WRRC Project. Whether this is permissible or not will need to be confirmed. • Consider the project schedule recommendations from the project schedule peer review and the budget recommendations from the budget peer review. • Approve the Project to commence the procurement of the required piling contractor and confirm the approval process for executing a contract with the preferred piling contractor. • The Project may require additional funding to address the gap between the estimate and the approved budget and the noted risks. The alternative is presumably a value engineering process to identify savings. This would take time and may put the project schedule under further pressure.
Canterbury Stage 1	• A Procurement Strategy is developed and approved. • A project schedule is developed that is aligned with the Procurement Strategy and the required decision-making processes and delegated authorities. A reasonable and realistic design project schedule should be developed that will allow for standard stage gate processes including QS estimating, user reviews and feedback and typical checks and balances. • A clinical planner/project manager should be included in the team to interface and manage the expectations between the design team and the stakeholder groups. • Required decision making processes and structures are confirmed, and delegations (as noted above) should be put in place as soon as possible. • Provide appropriate levels of delegations to the project schedule and project teams respectively to ensure the project does not have approval delays.

	• A decision is made on the use of depreciation funding.
Counties Manukau - New build of mental health inpatient unit to address capacity to 2030. Completed in September 2020 with $67.5 million in Crown funding allocated.	• It is recommended that the Post Implementation Review (PIR) is shared with current project teams and socialised within IIG and MHIP so that lessons learned are shared.
Capital and Coast - New build individualised service units for high-risk mental health and intellectual disability clients completed "Go Live" in July 2022. Crown funding allocated to the project was $12.8 million.	• Take note of the lessons learned from this Project (as noted in the Full Closure Report) and consider these for application to future projects.
Tairāwhiti - Refurbishment/ replacement of the existing acute mental health facility in post approval design phase with $23/7 million in Crown funding allocated. Planned completion is March 2024.	• Consent issue documentation is reviewed prior to lodgement to ensure the quality is sufficient and the Council can process the application in a reasonable timeframe. • An early design review workshop is held with the Contractor, and design team, to examine constructability and project schedule assumptions. • Project contingency and overall budget is reviewed to ensure that the funding and budget match the scope, project schedule, and overall project risk profile. • If project schedule is to be prioritised, identify and approve additional funding. • Review the project schedule once tested with the market and provide a realistic update to the completion date with adequate float allowance.
Northland - Refurbishment, co-location, and integration of 4 community mental health service sites in the post approval design stage with $19.5 million in Crown funding. Planned completion1 is March 2023.	• Te Whatu Ora should review its actual and committed spend to address any errors, ensuring that actual and sunk cost centres add up to the total cost of the budget.
Taranaki - Refurbishment and upgrade of mental health facility in post approval design stage with $8 million in Crown funding allocated. Planned completion is October 2024.	• Te Whatu Ora respond to the Memo from Taranaki District Health Board (District) - to Ministry of Health (dated 4 April 2022). • Te Whatu Ora ensure the project schedule is developed to include all key project tasks and a greater level of sophistication i.e., constraints, interdependencies, linking of tasks to ensure the critical path is understood. • Te Whatu Ora ensure the project schedule is reviewed to ensure that appropriate durations are provided for all tasks.
Nelson/Marlborough - Refurbishment of inpatient unit in post approval design stage with $2.5 million in Crown funding allocated. Planned completion1 is August 2023.	• Te Whatu Ora considers the risks and benefits of negotiating a contract with the incumbent contractor instead of a publicly advertised tender process. • Te Whatu Ora consider bringing on an external Project Manager to support timely delivery.
MidCentral - New build of acute mental health facility currently on the main campus in post approval design phase	• It is understood that IIG will report on cost pressures to Ministers in October 2022. It is recommended that it is confirmed whether additional funding is available. • If additional funding is not available or there are processes through which the Project must go to secure funding, then those processes and timeframes should be confirmed, and the tender put on hold until such a time that the project budget is

with $35.5 million in Crown funding allocated. Planned completion is September 2024	confirmed. It should be understood though that any delay will inevitably result in even higher costs due to escalation. • If additional funding is available and anticipated, then this would need to be confirmed urgently if project schedule is to be maintained.
Tauranga - New build of 24-bed mental health facility in single stage Business Case with $30 million in Crown funding allocated. No estimated completion date at this time.	• If an earlier completion of the required mental health upgrades in Tauranga is desired – MoH/Te Whatu Ora could either: a) approve the $10m Business Case already submitted for the required H&S upgrades OR b) request a new 'Light' Business Case for the H&S upgrades and the additional rooms required. Note: It is assumed that a 'Light' Business Case would be less work to prepare, and less work to review/approve and so would most likely result in an earlier project start in 2023.
Canterbury Princess Margaret to Hillmorton - New build to relocate specialist services from Princess Margaret to Hillmorton in Delivery Stage with $81.8 million in Crown funding allocated	• The former CDHB (now part of Te Wai Pounamu) has had a significant portfolio of capital works following the Christchurch earthquakes. It appears that there is significant maturity in the capital development team. This is both internally and with the external consultants that are used on these projects.
Hutt Valley - New build/replacement of the Te Whare Ahuru Mental Health unit in post approval design stage with $30.5 million in Crown funding allocated	• Review budget and contingency and ensure there is an appropriate level of contingency relative to the project stage and risk profile.
Lakes - New build replacement and capacity expansion of current mental health facility in post approval design phase with $33 million in Crown funding allocated. Planned completion is August 2024 (re-baselined in July 2022).	• That a genuine 'Project Health Check' be conducted on the Project to confirm if and where corrective action is required. • [redacted]. • If there are any further delays to the approval of the earthworks consent, then this issue is escalated as required to determine the hold up. 9(2)(f)(iv)
Whakatāne - New build of a 10-bed mental health and addiction service facility in single stage Business Case phase with $15 million allocated in Crown funding. Business Case identifies planned completion for July 2024.	• The approval of the Business Case for Whakatāne is de-linked from approval of the revised Business Case for Tauranga). • Approve the early works ahead of approval of the Business Case.
West Coast - New build to provide modern environment in post approval design phase with $20 million in Crown funding allocated.	• Provide clarity on the expectation and engagement model between Ōtākaro and Te Whatu Ora. Roles and Responsibilities should be defined, and Delegated Authorities confirmed. • The project schedule appears overly optimistic and should be revisited and confirmed. Take learnings from other mental health projects regarding standard fixtures and fittings etc. • Review and re-baseline the project schedule with the engagement of the design and user group teams. Likely this should be done at the end of concept design as by this stage the client brief and design should have a set direction. • Additional funding is likely to be required to support a higher level of contingency and a longer project schedule. We are unaware what level of site investigation has

	been completed. and so there may be additional unknown geotechnical or contamination risks to allow for.

4 Programme level themes

4.1 Introduction

This section identifies the common themes from the 16 individual projects and provides recommended actions that could be taken to improve the implementation and delivery of the capital projects which constitute the MHIP. When considering the recommendations and implementing these on specific projects and at a programme level consideration needs to be given to:

- the stage the project is at; and
- Te Whatu Ora and IIG's work programme priorities.

The Reviewers have been advised that IIG already have workstreams underway with respect to some of the recommendations.

4.2 Programme Themes and Reviewer Observations

4.2.1 Business Cases

For projects which were at the business case phase whilst the DHBs still existed, the Reviewers were told that the business cases were funded by the DHBs and often prepared by external consultants.

Discussions with the project teams identified that uncertainty as to whether projects would be funded limited the appetite of DHBs to invest in robust business cases. This led to business cases presented with project schedules and budgets that were not reflective of the project as it developed through the early design phases.

Inadequate planning of projects prior to funding commitment resulted in a spectrum of issues in delivery including:

- Where funding envelops where allocated without a defined and substantially scoped project (Tairāwhiti, Waikato, MidCentral) this has result in projects being planned to fit the capital envelope as opposed to identification of community requirements and then scoping accordingly.
- In other cases the funding envelopes have come under pressure because unrealistic expectations were set. For example, insufficient information at business case set unrealistic expectations, escalation, and scope changes (Taranaki, Nelson/Marlborough).
- In some cases, the business case has been approved and the Model of Care is being developed in parallel with concept design (West Coast).

Where budgets or cost plans were available these were reviewed at a high-level. Several of the projects are either under cost pressure or are over budget. Causes include:

- The level of detail that was prepared in the original business case was insufficient therefore setting unrealistic expectations at the outset.
- Many business cases were prepared prior to COVID-19. Cost escalation for these projects had not and could not have been estimated in line with what has been observed during and post COVID.

- The contingency allowance for the project at business case stage was insufficient (and in some cases) not aligned with the level of project uncertainty.
- Lack of clarity around how escalation provision is being calculated.
- The project schedule as outlined in the business case has been exceeded resulting in increased time related costs as well as escalation.
- The project spent excessive time in business case approval stage resulting in cost pressures for the equivalent scope due to cost escalation and delays.
- Not using historical cost data to verify new budgets.

The projects outlined in the table below are examples of cost pressures and/or approved budget overspend. The values in this table have been determined from the latest project assurance report provided to the expert reviewers. In most cases this was between May and July 2022.

Te Whatu Ora are currently preparing a cost pressures paper to provide further clarity on these (this can be seen in the second table below). It appears one of the key themes of this overspend observed below is the business case lacking sufficient design input to inform a realistic budget. Once the project has been further designed, the realistic budget has been realised and this has often been significantly higher.

Project	**Indicative Budgetary Position**
Tairāwhiti	$23.7M business case. Final cost is being determined with project team however noted will be higher than this budget.
Taranaki	$8M business case. Agreed scope has been priced at over $20M. Currently the business case is awaiting approval for a reduced scope estimated at circa $8.5M.
Capital and Coast	$8.5M business case. Project completed at $13.23M out-turn cost.
MidCentral	$34.5M business case. Current estimate is $50.5M.
Tauranga	$30M funding announced. A $45M budget has been prepared.
Lakes	Business case budget $33M. Estimate in April 2022 was $36M with likely increases.
Whakatāne	Initial estimate in 2021 was $35M. Estimated costs now at $41M for the ready to submit business case.
West Coast	Business case $20M with 10% contingency prior to design commencing. Contingency appears insufficient.
Waitematā	Business case $162.8M. Project is noted as being on budget however it appears the contingency has not been updated to reflect the change in risk profile resulting from the revised procurement model.

The below table was provided by Te Whatu Ora on 12 October 2022. This table highlights the current known reality from Te Whatu Ora regarding the risks that are being highlighted in the assurance reports.

Project	Funding potentially required
Tauranga	$70,000,000
Whakatāne	$27,000,000
MidCentral	$22,300,000
Tairāwhiti	$5,451,000
Lakes Mental	$9,000,000
Total	$**133,751,000**

4.2.2 Master Plans and Capital Roadmaps

In several cases (Waikato, Hutt Valley and Lakes), a lack of site master plan or competing stakeholder expectations has led to the location of the mental health facility changing. It was not always clear as to the exact reason for the change in the facility locations. Sometimes this has occurred after the business case has been approved - leading to considerable delays and project and budgetary pressures before the design for the facility has commenced.

Any change in location in conjunction with an absence or required amendment to the master plan creates rework, change in the project schedule, likely an increase in the budget and disengaged teams.

Under the DHB structure, it was said by the interviewees that a number of the DHBs had relatively well-planned site master plans and capital roadmaps however these may not have integrated with other DHBs to create a national view of clinical services and the location where these are provided (Waitematā, Canterbury).

4.2.3 Project Delivery Resources

Whilst some former DHBs have reasonably sophisticated and mature delivery teams, others lack this due to their size and historic pipeline of capital works. By way of example, it was evident during the interviews that over the last 10 years the former Canterbury DHB have had a significant pipeline of work and have developed a mature team and structure to deliver this. It appears that the team in Waitematā is similar.

Other areas of the country such as Capital and Coast, Tairāwhiti and Lakes, whilst having an extremely passionate team, lack the project delivery skillset to manage a programme of significant capital works. These teams have not historically had the scale to develop the dedicated skills to deliver complex capital works within their team, and in many cases project management responsibility is being added to staff in addition to their daily responsibilities.

Where DHBs lacked the scale to build skilled internal resource for the delivery of projects there has been a reliance on external consultants to drive the delivery of these projects and manage process and risk on behalf of the client organisations.

While it will always be necessary to supplement internal capability with external consultants for various specialist aspects of the project; the client role cannot be outsourced in its entirety and projects benefit

from being able to develop skilled project leaders who know the organisation, personnel and community and a focus on the outcomes that need to be achieved.

4.2.4 National Design Consistency

Whilst undertaking the interviews with the various parties across the country, it was noted in several cases that design thinking, standardisation of room layouts, selection of fittings and other potentially repeatable items were not being well shared nationally. Under the previous DHB model the interviewees noted these efficiencies would only be achieved where a consultant was engaged across multiple DHBs.

A key example of this in the mental health sector is the selection of anti-ligature components. A quantity surveying firm that is involved in a number of projects noted that anti ligature components were separately investigated for each project.

The apparent lack of standardised design across these mental health facilities is leading to inefficient use of consultant and client time. In addition, there will be project schedule losses and increased costs associated with re-doing this investigation for every projects.

The establishment of Te Whatu Ora and the higher level of engagement of IIG into the mental health projects provides significant opportunity to manage design differently. It is understood that IIG is developing facility design guidance for acute mental health inpatient facilities, to complement the Australasian Health Facility Guidelines (AusHFG).

In order to be successful there will need to be structures put in place to hold projects to these standards and ensure that the design guidelines and consistency are being adhered to.

4.2.5 SRO Leadership and Support

Project leadership is a critical workstream within a project which sets the tempo on key aspects such as budget, risk, safety and programme. Even a small mental health facility is a complex infrastructure project, and managing the regulatory and technical standards, stakeholder expectations and commercial relationships requires specialised skills and experience.

During the interviews it was apparent that in the smaller districts that there is a lack of resource and technical expertise. Specifically, the SRO is often someone who holds a clinical or operational role in the health system who has also been made responsible for the delivery of a significant piece of infrastructure. In some instances, this has occurred with little to no additional time being made available thereby increasing their hours worked alongside their day job (MidCentral, Lakes) and a lack of technical project support.

The use of clinicians or operational personnel as SROs has clear benefits as they understand the challenges and requirements of the users, stakeholders and facilities and are committed to improving outcomes. However, support for the SRO by way of technical leadership and management of the stakeholders is lacking, resulting in an overloaded SRO and potentially inefficient project progression.

4.2.6 Procurement and Contracts

All 16 projects reviewed were initiated or delivered under the previous DHB model. Consequently, multiple different procurement models, scope of services, contract forms, and contract conditions were in place across the projects.

In a highly constrained construction sector, it is important to ensure that market engagement, scope of works and contractual arrangements encourage strong buy in with consultants and contractors. In addition to this, there is significant merit in standardising forms of contract to minimise the negotiation time between the external parties and the client. Previously negotiated contracts can form a foundation

for future engagements thereby saving significant time and money and allowing the primary objective of design and construction to commence.

It was also noted that across the programme there are a small number of consultants that been engaged on a large number of the projects. This includes the project management companies, quantity surveyors and architects. Whilst no specific concerns have been raised by the projects at this time, consideration should be given to whether:

- Procurement processes are creating inadvertent barriers to competition for consultancy services;
- 'Project by project' procurement is delivering value when consultants are effectively operating across portfolios; and
- There would be benefit in widening the market engagement criteria to encourage new suppliers and greater competition for ideas.

It is understood that IIG and in particular MHIP, are currently working on establishing a central commercial and procurement function which intends to develop a suite of standard contract documents.

4.2.7 Project Schedules

A robust programme is a measure of project maturity – reflective of a level of accurate project planning and correctly showing the interactions between activities. A robust programme is essential to the effective management and monitoring of a project – it ensures an understanding of the critical path, likely timing of key decisions and emerging risks to be identified.

The Reviewers requested project schedules for all projects. Most projects provided their project schedules. Some schedules were out of date and others had varying levels of detail.

The key findings with respect to the project schedules include:

- Some had a limited number of tasks, lacked detail and tasks did not appear in a logical sequence. This made it difficult for the reviewers to easily see the critical path or gain confidence that the schedule had considered all the project's scope. For example, the Taranaki project schedule appears to have been prepared on 16 August 2022 in response to the Reviewers' request for a project schedule. The schedule appeared to lack logic for the linking of tasks and sophistication for a project of that size

- Many schedules appeared to have optimism bias with little or no programme float. There are three key areas of consideration within this aggressive scheduling:

    - design timelines were compressed, and it was assumed that there would be continuation of design between phases, with limited or parallel approval processes by the client and stakeholder group. For example, West Coast has an approximate seven-month design timeframe with the user engagement and services planning occurring in parallel with design. This appears short

    - ambitious or misunderstood approval timeframes for procurement and contract signing. For example, two-to-five-day approvals for construction contracts were noted for multiple projects, and it appears that the pathway for this approval under Te Whatu Ora is unclear to the project teams. There is a risk that this may cause a significant delay to the construction commencement of these projects (Tairāwhiti, Lakes, MidCentral).; and

    - optimistic construction durations that have not been tested with the local market.

4.2.8 Stakeholder Engagement

During the interview process, there were varying levels of confidence from the SRO and district teams as to the stakeholder management process, how this was carried out and who they should be engaging with. For example, Northland were confident of the process conducted for their facility that is currently under construction. Capital and Coast were unsure exactly who was required to be engaged and the process of this engagement through the briefing and design phases. This process was not managed smoothly.

For any health sector projects, there are several stakeholder groups including Iwi, clinicians, patients, and the community. For the implementation of new capital projects, it is important to integrate stakeholders design inputs. Noting, in the majority of cases, the process of a significant capital build is not always familiar to these groups and education on useful and timely user input is important.

4.2.9 Authorities to execute and delegations

The contract execution process, in particular the need for and requirements of an implementation business case, was not clear to the project teams causing lengthy approval timeframes and, in some cases, resulted in a critical constraint to commencing physical works.

This was specifically noted by the project teams on Waikato and Waitemata. In the example of Waikato, the combined nature of the renal and mental health facilities and apparent timeframe to sign off the implementation business case was leading to a significant schedule advantage being missed due to process.

In the case of Waitemata, the process to have the IBC approved was not clear and hence had the potential to hold up the commencement of construction.

The mechanics of the change management process during design on the mental health projects was also not clear from the documentation provided. When meeting the project teams, it was noted that the timeframes and pathways for the approvals of change were not always efficient or clear.

There is opportunity to clearly define the change management process to ensure that decisions are made in a considered and timely manner that enables the project to maintain momentum (including any consideration to project scope and contingency allocations).

5 Programme level recommendations

Section 5.1 provides a table of programme level recommendations. Te Waihanga understands that (in principle) the following MHIP key programme deliverables align with the recommendations:

- Developed HIU/IIG engagement model for how the HIU/IIG can assess its level of involvement for individual projects (Recommendation 5);
- Developed facility design guidance for acute mental health inpatient facilities, to complement the Australasian Health Facility Guidelines (AusHFG) (Recommendation 8); and
- Established central commercial and procurement function (Recommendation 12).

5.1 Table of programme level recommendations

Rec No.	Recommendation
Business Cases	
1	For projects that have not yet reached concept design, whether the business case is approved or not, consider further planning and development to ensure a robust plan. This will provide more robust project cost and timeframes which in turn will support successful delivery and measurement against realistic metrics. Development of the business case should identify how established Clinical Services Plans and Models of Care will be implemented through the proposed facilities.
2	Provide IIG with suitable resources (i.e., financial and staffing) to support the regions with the preparation of business cases to a sufficiently detailed standard (which includes cost and time). This would allow for the preparation of standardised business cases to support a national infrastructure approach whilst retaining a regional and local perspective.
3	Provide for standardised contingency percentages for projects for each phase of a project. This should include two central pools of additional funding within Te Whatu Ora for the management of a number of projects or programme – one for contingency and one for escalation. In the case of mental health this could be managed by MHIP subject to the operating model and appropriate delegations being in place and supporting this. *Refer to page 89 of the Health Infrastructure Review*. It was noted by IIG that work to standardise project cost plans is underway with the use of external quantity surveyors. Te Waihanga support this work in principle.
Master Plans and Capital Roadmaps	
4	Each district/region in New Zealand should have a master plan for capital works. This would be informed by the development of: • national service planning (including Model of Care); • a national infrastructure master plan (which would allow for a robust and prioritised 10-year pipeline of capital works); and • a national asset management plan. (The Reviewers have been advised that these foundational components are a key piece of work for Te Whatu Ora/IIG.)
Project Delivery Resources	

Rec No.	Recommendation
5	Capital projects over a certain size or higher risk profile (to be determined by Te Whatu Ora) should be nationally supported, regionally managed, whilst ensuring local engagement. Noting there is maturity and health expertise within Te Whatu Ora that could be shared to strengthen project leadership. This will ensure that the national institutional knowledge is leveraged to support local input and insight. Allow IIG to scale-up appropriately to assist early with the management of projects (where required). This would allow people with project delivery skills to assist SROs and projects across the country from a technical perspective. The initial review identifies the following projects may warrant additional support: Lakes, Tairāwhiti (already under IIG), Taranaki, MidCentral, Tauranga, Whakatāne; and West Coast (moving under IIG management).
6	Nominate a key person for each project that can be the interface between the clinical and design team. This will assist in communicating the relevant information and ensuring timely decision making. This person would be from within the regional health organisation and have an intimate knowledge of the campus.
National Design Consistency	
7	Where appropriate, adopt the Australasian Health Facility Guidelines (AusHFG) whilst identifying the necessary changes (if any) to suit the New Zealand context. Consideration should be given to the mechansims required to ensure that this is implemented consistently at a national level.
8	Create key documents and standards and store in a central repository relating to mental health projects that delivery teams can easily access. For example: • functional design brief; • product specification; and • performance specification (including mechanical and electrical). Whilst the above documents are design related, further project delivery guidance could be provided in this central repository.
9	Consider construction of a mental health mock-up room for national review. We understand this has been done in the education sector to allow stakeholders and user groups to engage with the final product before it being built. This would inform a standard room that could be implemented into varying site layouts.
Procurement and Contracts	
10	IIG should develop a suite of standardised contracts for projects (i.e. consultant contracts and construction contracts). Contracts should be standard form contracts with additional clauses only included where absolutely necessary. A suitable level of flexibility should be built into this standard suite of documents to allow for the size, scale, complexity and any specific project needs.
Project Schedules	
11	Provide a more robust and standardised way in which project schedules are prepared and managed within Te Whatu Ora. This should include: • Standardisation for the preparation of project schedules to ensure they are prepared in the same way. • Robust monthly reviews and interrogation of schedules. • Clear identification of the critical path. • Logic linked schedules.
Stakeholder Engagement	
12	IIG to prepare guidelines to stakeholder groups regarding appropriate areas of input into each of the design phases. To maintain a design programme, it is important to set expectations and incorporate structured feedback from the stakeholder groups in line with the design phases. Also important is sufficient time allowed for in the project schedule to allow this to be a robust process.

Rec No.	Recommendation
Authorities to execute and delegations	
13	Te Whatu Ora and IIG should consider whether delegations and authorities are appropriate to enable projects to be efficiently delivered. Once reviewed, this should be well documented and communicated to the regions and districts.
14	Develop and communicate a programme and project change management plan that clearly identifies roles and responsibilities as well as delegations. This should describe who holds the delegations to make varying levels of change and a clearly defined approval pathway to ensure project momentum is maintained.

Appendix A: List of MHIP projects in priority review order

Te Waihanga with IIG and IU confirmed the below priority order for the review of the projects.

Priority	Project	Phase
Group 1: Large scale developments (3 Projects). These projects require significant operational impacts to be managed across complex campuses and due to scale may have acceleration opportunities or efficiencies	Waitematā	3
	Waikato	2
	Canterbury Stage 1	2
Group 2: Completed projects (2 Projects). Reviewing these completed projects will inform recommendations across the broader programme and identify future opportunities to successfully complete and operationalise new facilities	Counties Manukau	5
	Capital and Coast	5
Group 3: Sample project under IIG Level 3 oversight (1 Project). This is a priority project for delivery and reviewing this sample project (Tairāwhiti) will identify best practices and any areas for improvement for IIG in their management of MHIP project.	Tairāwhiti	3
Group 4: Projects that are low risk but may have acceleration opportunities (3 Projects). These projects are noted as being of low financial value and low risk, but may present delivery acceleration opportunities	Northland	4
	Taranaki	3
	Nelson/Marlborough	2
Group 5: Projects that IIG have not raised concerns with (4 Projects) and/or where it is believed that minimal acceleration opportunities exist	MidCentral	3
	Tauranga	2
	Canterbury Princess Margaret to Hillmorton	4
	Hutt Valley	2
Group 6: Projects transitioning to IIG oversight (3 Projects). Reviewing these projects will enable identification of any risks, issues, or other factors that IIG should be considering when transitioning these projects into their oversight and identify opportunities for acceleration. Note these projects will already be subject to IIG review as part of transition to IIG.	Lakes	3
	Whakatāne	2
	West Coast	2

Appendix B: Review process

Stage 1: Desktop Review

Stage 1 was a desktop review of key project documentation. The intended outcomes of this desktop review were:

- To identify potential omissions or peculiarities with respect to specific projects i.e. what's missing that we would expect to see for any given project at its particular stage and are things are being done or proposed to be done that seem potentially unusual.
- For each project, identify key areas of focus and questions for interviews in Stage 2.

Key questions asked by the review team of the project teams included:

- Do the key documents exist?
- Are these documents comprehensive in the context of the project they relate to?
- Could these documents be amended to provide a more robust approach to the project?

Examples of key questions and control documents that were requested:

Question asked	**Examples of potential key control documents**
What is the basis of the Project?	Business Case
What are the functional requirements?	Design Brief
What will the project cost?	Budget/Cost Plan/Contingency/Cost Reports
How long will the project take?	Master Programme
How is the project being delivered?	Procurement and/or Delivery Strategy
How are decisions made?	Governance Structure/Organisational Structure
How is the project managed?	• Project Management Plan/Project Execution • Plan Risk register or similar

Due to time constraints and the availability of project documentation, Stages 1 and 2 of the review were carried out in parallel.

Stage 2: Interviews

Stage 2 involved interviews with key project individuals with a view to providing further understanding and explanation of discovery which was conducted in Stage 1.

Interviews requested by the Review team included:

- Senior Responsible Owner (SRO) e.g., Lead Client Representative
- Consultant Project Manager
- Consultant Quantity Surveyor
- Lead Designer; and
- Contractor Project Manager/Project Director.

All projects with the exception of Hutt Valley were interviewed with varying levels of personnel made available. [redacted] 9(2)(a) [redacted]. No contractors were interviewed due to late agreement to their involvement by IIG.

Stage 3: Project Report Preparation

Stage 3 included the preparation of the 16 individual project reports. Refer to Appendix D. Each report identifies:

- Māori engagement findings – three questions were prepared by Te Aka Whai Ora for the reviewers to ask of each of the SROs interviewed. These were:
    - How are Māori involved in the governance of the project?
    - How is a Māori view included in the design on the project?
    - Are there any specific social procurement initiatives for Māori?
- Project assurance – Time, Budget, Scope/Other
- Acceleration opportunities if any
- Trade-offs with the acceleration opportunities proposed
- Infrastructure expertise (capacity/capability) to deliver
- Recommended actions
- Schedule of documents reviewed, and interviews undertaken for the individual project.

Given the limited timeframes to review the 16 projects, the review team looked at the projects at a high level and with consideration of the project stage. The reviewers note that this Review does not constitute a true deep dive as a significant time per project would be required to investigate to this level.

Alignment with IIG's delivery phases

To provide alignment with IIG's delivery phases, the projects were divided into the phases below. The projects were assessed against a baseline of what the Expert Reviewers would expect a project at that phase to have documented and in place.

Te Whatu Ora Delivery Phase	Areas of Enquiry
Phase 1: Identify	Review of project status and what are the recommendations for improvement, taking into account Lessons Learned from projects that are further advanced.
Phase 2: Business case/define	Review of project status and what are the recommendations for improvement, taking into account Lessons Learned from projects that are further advanced.
Phase 3: Design	Review of project status and what are the recommendations for improvement.
Phase 4: Deliver	Review of project status and what are the recommendations for improvement.
Phase 5: Post – implementation	What went well, what didn't go well, what are the lessons learned for application to projects at Phase 1-4.

Appendix C: List of interviewees

The following people were interviewed by the Te Waihanga Reviewers as part of their review conduct.

Project	Interview
[redacted]	[redacted] 9(2)(a)
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Project	Interview
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

[redacted]

- [redacted]
- [redacted]

Appendix D: MHIP Project Reports

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Waitematā**: New build - replacement of part of the Mason Clinic (note: Tranches 1A/1B were merged into one project in Apr 2022) in post approval design phase with $162.8 million in Crown funding allocated. Infrastructure and Investment Unit has Level 1 intervention level applied and has joined the project governance board.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • [redacted] (attends for specific items) and [redacted]) are members of the Mason Clinic Programme Steering Group. An iwi partnership board is planned which will become a key stakeholder. The Taurawhiri for the Mason Clinic is also consulted. A second Kaumatua is a member of the executive user group, which has a sign off on each design phase 9(2)(a) • **Māori view is included in the design on the project…** • By the Mason Clinic Taurawhiri – it is unclear whether this position is currently filled and contributing to the design team as the position is currently publicly advertised. There have been two hui in the early design phase including a Māori communication design consultant and regular hui with Kaumatua and the project team subsequently. An artist has been engaged in integrate and express Mana Whenua aspirations and deign themes. • **Specific social procurement initiatives for Māori include…** • A Māori artist has been engaged. Additionally, the Contractor is to be evaluated on Construction skills and training (Rule 18 Government Procurement Rules). It is unclear how this relates to Māori specifically.
Project Assurance: • Time • Budget • Scope/Other

Time

- The original Business Case (Tranche 1A) process was lengthy and took two years to review and approve. The Project is now at the end of Developed Design, with the Developed Design estimate underway and due within two weeks from the time of writing.
- The design milestones have generally been met by the Project Team; despite the addition of substantial additional scope in the form of Tranche 1B. The design programme appears relatively aggressive, with little time allowed in between stages for client review/approval.
- The Project intends to appoint a main contractor on an Early Contractor Involvement (ECI) basis, and tender the subcontract packages in an open book/transparent manner. This approach is in response to feedback from the contractor market but is unlikely to expedite the programme significantly.
- The Project understands that an Implementation Business Case (IBC) is required, and this is currently being prepared; however, there does not appear to be any allowance for an IBC process in the current programme. Feedback from the Project is that it is not clear what IBC process is required and where/how it fits into the approval process.
- The Project Progress Report notes that the programme is based on an assumed governance structure, meeting dates, and delegated authorities. The current programme does not appear to allow for any internal review and approval process for award of the ECI contract, let alone any external (e.g., MoH or Te Whatu Ora) involvement in that approval.

Budget

- The approved procurement approach requires the client to take on more cost risk. It is not clear whether additional contingency has been allowed for in the budget to support this approach, noting that the change in approach followed the approval of the $162.8 million budget.
- As stated above, this approach has been adopted based on the contracting market feedback received by the Project Team and is becoming a more common procurement approach due to well publicised market conditions.
- As above, the Developed Design estimate will be completed and then compared back to the approved budget of $162.8 million.

Scope/Other

- The approved Project brief and funding appears to have been relatively fluid since the project's inception. The Project would have benefited from better clarity and certainty around the scope and funding at the outset. There is a risk of lower quality outcomes because of this piecemeal approach. This approach also makes project governance more complex.
- The ground conditions are a key concern to the Project. This is currently being worked through by the Project Team, and it appears that additional piling will be required. The knock-on effects of any additional piling are still to be determined.

Acceleration Opportunities: [if any]

- The Project appears to be moving forward at haste and appears to already have an aggressive project timeline. There appears to be few opportunities to accelerate.
- However, there appears to be risks around the Project's ability to meet the current programme if additional approval steps and processes are added to the ECI contractor contract approval and award, or if the IBC process became part of that approval process.
- If IBC approval is not a requirement for confirming funding or signing a construction contract, then there is a question around whether an IBC is adding any value to the project governance and assurance. Consideration could be given to removing the IBC requirement or confirming that IBC approval is not a requirement to sign a construction contract.
- There is a noted lack of clarity around the process of approving the construction contract. There is currently no apparent time in the programme for the contract approval to go through even the lowest levels of project governance, let alone Te Whatu Ora or Ministers if they have a role.

Trade-Offs:

- The Project already appears to be prioritising programme and (and the cost benefits that go with that) ahead of cost i.e. the approach to procurement should result in an earlier completion date and reduced escalation; however, the process may result in a higher contract sum.

Recommended Actions:

It is recommended that:

- Confirm the approval process of the construction contract, and delegate the authority to the Project Steering Group or SRO if possible.
- Confirm where and how the IBC fits into the project approvals process.
- Confirm the Delegated Authorities around approval of the ECI contract and acceptance of contract sum.
- Additional contingency should be allowed to align with the current procurement approach, based on market analysis of key trades, and associated risk and opportunities within this approach.

Infrastructure Expertise (Capacity/Capability) to Deliver:

- The Project appears well managed and well governed; however, stage gate approvals do appear to be expediated which may introduce risks.
- The project appears to have a reasonable project execution plan (PEP) in place. Reasonable monthly reports are being produced containing the information that would be expected on a project of this size and scale. A reasonable master programme is in place. Design management and assurance processes appear to be in place.

Documents Reviewed and Interviews:

Desktop review of key project documentation (including but not limited to):

- Programme Business Case (T1B) – Jan 2021
- Mason Clinic Organisational Chart
- Project Execution Plan - Feb 2022
- Assurance reports – April to June 2022
- Procurement Plan – May 2022
- Funding Approval Letter (T1B) – not dated
- Cost Report – July 2022
- Project Progress Report – Aug 2022

Key documentation not sighted and therefore not reviewed:

- Business Case (T1A)

Interviews with the following:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 29 September 2022

Project Name/Description:
• **Waikato**: New build - replacement and capacity expansion of the acute mental health facility in detailed business case phase with $100 million in Crown funding allocated. There is no estimated completion date. The Infrastructure and Investment Unit has Level 2 intervention applied.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** [redacted] who has a position on the facility project board and [redacted] who cover the role of "Equity Assurance" on our Strategic Projects Governance Group. There is a legacy Iwi Engagement Framework from the former DHB which formerly provided updates to the Iwi Māori Council / FRAC groups up until July 22. This mechanism is in suspension pending advice on central governance arrangements from IIG. 9(2)(a) • There is a parallel project called System Transformation governed by the Te Pae Tawhiti Programme Board which contributes and integrates wider changes across the continuum of care for adult mental health. The AAIF is within this care model. This board has its own Equity Assurance role [redacted] and Māori co-chair and representation from Te Roopu Tautoko ki Waikato. 9(2)(a) • **Māori view is included in the design on the project by…** The lead designer leads the cultural design discussions and are actively including cultural narratives into the design. discussions A specific consultant [redacted] as iwi relationship manager brings experience from other projects. The mana whenua collective Te Haa o Te Whenua o Kirikiriroa contribute to working groups as does the Kaitakawaenga o Waikato team and key members of the service delivery team who are Māori. 9(2)(a) • **Specific social procurement initiatives for Māori include…** The Procurement process for the Main Contractor and Suppliers has been developed to include scoring related to commitment to Te Tiriti obligations, cultural awareness and development and Māori business ownership. [redacted] A member of from Māori Health Service - Te Puna Oranga is on the evaluation panel. 9(2)(j)

Project Assurance:

- Time
- Budget
- Scope/Other

Time

- The site selected for the proposed Adult Acute Inpatient Facility (AAIF) requires the relocation of renal services into a new building and the demolition of the current renal building; this is the Waikato Regional Renal Centre (the WRRC) Project.
- To expedite the AAIF Project as much as possible, the Project is being built in two stages. The second stage is reliant on the completion of WRRC Project and the demolition of the existing renal building. Any delay to these activities may cause a delay to the completion of the AAIF.
- Developed Design has recently been completed for the AAIF and Developed Design is underway for the WRRC.
- The Project Programme is described by the Project Team as 'aggressive but not unachievable'. We do not disagree with the Programme Peer Review provided by Octa or its conclusions. The programme appears to include an allowance for an Implementation Business Case (IBC) approval of four weeks. This duration may or may not be appropriate.
- Feedback from the consultant team is that historically decisions have not been made as quickly as they needed to be to maintain the programme. Further, ongoing design changes have led to delays. We are not able to confirm if this is or is not the case.
- Construction durations allowed for may also be aggressive and need testing with the local market.

Budget

- For reasons that are unclear, the AAIF Project and the WRRC Project are part of the same Detailed Business Case including an approved budget of circa $155m (the AAIF at circa $115m and the WRRC at circa $40m).
- It is understood that an Implementation Business Case (IBC) is required to release funding, and presumably sign a construction contract(s). Unfortunately, funding and the ability to sign a construction contract will be required for the WRRC Project some 6 months before the AAIF Project will be in a position to complete an IBC.
- A Preliminary Design Estimate of circa [redacted] for the AAIF was compiled by [redacted] and a peer review of the project budget was undertaken by [redacted] that included several recommendations and was notably a lower estimate at circa [redacted]. We noted the difference between both estimates and the approved budget for the AAIF of [redacted] and were advised that [redacted] reviewed its Developed Design Estimate after the [redacted] peer review, and the estimate and budget are aligned. 9(2)(b)(ii)
- The Developed Design estimate is underway and initial indications are that this is tracking well against the approved budget ($115m) . NB: We have not reviewed the Developed Design estimate as it is not complete.
- Continuing delays associated with procuring piling works for the WRRC may place further pressure on the budget.

Scope/Other

- The original Project Management consultant [redacted] has been replaced recently [redacted] We are not aware of the reasons for this; however, it is inevitable that replacing any key consultant during the project (particularly at the start of Detailed Design) will pose continuity challenges and loss of institutional knowledge of the project to date and that this may lead to inefficiencies. 9(2)(j)
- We understand that the Project has had a lot of changes to its leadership over the years since its inception and that this may have affected continuity.

Acceleration Opportunities: [if any]
• There are limited opportunities to accelerate the programme, but several risks to delivering to the current programme as described above. • There may be an opportunity to accelerate the current programme or at least de-risk the current programme somewhat if the procurement requirements for the WRRC Project could be relaxed. However, this would only be the case if the AAIF Project was able to take advantage of the earlier completion of the WRRC Project. We do not have visibility of the level of programme detail. • It is not clear, but it seems that the Project is waiting on an approval to commence the procurement process for a piling contractor. This is required to maintain programme. It is not clear whether the Project believes that it needs approval (from outside the project structure) to commence a procurement process.
Trade-Offs:
• A more realistic programme with less risk may need to be accepted. • Expediting the procurement of a contractor for the WRRC Project may result in a higher contract price for the WRRC Project.
Recommended Actions:
It is recommended that: • The WRRC and AAIF Projects should be de-coupled in terms of funding approval and the IBC process to avoid delays to the WRRC Project and ultimately the AAIF Project. • The IBC process should be confirmed so that an appropriate allowance can be made in the programme (for both projects). If this process could be expedited, then there may be programme benefits to both projects. • The approval processes and delegated authorities for the Project should be defined so that they can be appropriately allowed for in the programme. • Consider whether there are any programme benefits to relaxing the procurement requirements for the WRRC Project. Whether this is permissible or not will need to be confirmed. • Consider the programme recommendations from the programme peer review and the budget recommendations from the budget peer review. • Approve the Project to commence the procurement of the required piling contractor and confirm the approval process for executing a contract with the preferred piling contractor. • [redacted] 9(2)(j)
Infrastructure Expertise (Capacity/Capability) to Deliver:
• The incumbent project management team has left the Project recently. This will create a challenge for the new external project manager getting up to speed with the project. This is a definite risk to the project maintaining programme. • Re-tendering of consultant services has caused disruption to the project. It is understood that this is materially complete, and the team can now progress and complete the design. • As above, the Project would benefit from the definition of clear delegated authorities and approval processes which appear unclear.

Documents Reviewed and Interviews:
Desktop review of <u>key</u> project documentation (including but not limited to): • Indicative Business Case Version 3 – May 2020 • Strategic Capital Investment Options Report (Masterplan) – December 2020 • Detailed Business Case (one page summary) – not dated • Programme Peer Review – May 2020 • Options Programme peer Review – April 2022 • Peer Review Estimate – April 2022 • Estimate Summary – April 2022 • Assurance Report – May 2022 **Key documentation not sighted and therefore not reviewed:** • Project Execution Plan • Current Master Programme • Recent Developed Design Estimate **Interviews with the following:** [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 29 September 2022

Project Name/Description:
• **Canterbury**: Hillmorton Hospital Campus Masterplan – Stage 1 in X phase with $X million in Crown funding allocated. Infrastructure and Investment Unit does not have an intervention level applied to this project.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • The Iwi Māori partnership board, which is not yet in full establishment, are intended to contribute to both the project governance and project control groups for Hillmorton Masterplan Stage 1. The previous entity, Manawhenua ki Waitaha had a key role in approving stages of the Princess Margaret to Hillmorton Project and also a campus-wide cultural narrative for the campus. • **Māori view is included in the design on the project…** • Various individuals in Pukenga Atawhai roles have been part of the user groups contributing to test of fit in design development so far for Hillmorton Masterplan Stage 1 and the Princess Margaret to Hillmorton project, influencing elements for whanau support and manaakitanga in design and usage. The user group for West Coast includes a Pukenga Tiaki from within the service who brings design guidance and local practices and processes from the Māori health team as well as acting as iwi rep. • **Specific social procurement initiatives for Māori include…** • No specific initiatives are yet in place
Project Assurance: • Time • Budget • Scope/Other

• A single stage Business Case for Tranche One of Hillmorton Hospital Redevelopment (the Project) was prepared. Only a final version was provided for review (dated March 2022), and it did not contain a revision history so it is not certain when the Business Case was prepared.
• The Business Case requested approval to invest $129.27 million to implement Tranche One of the Hillmorton Hospital Site Masterplan, and was proposed to be funded via:
  ○ $37 million DHB contribution
  ○ $92 million Crown funding.

- The preferred option for Tranche One includes the delivery of an 80-bed adult acute inpatient mental health unit programmed for completion in February 2027.
- The commercial case included in the Business Case is basic and essentially states that the design will be fully developed before the construction contract is awarded.

Time

- We understand that the project has recently tendered for consultants and that design is either underway or imminent; however, we were not provided with a clear programme to review.
- Key dates for the project are:
    - Design and consent from August 2022 to February 2024
    - Early works from May 2023 to June 2024
    - Construction from Feb 2024 to Feb 2027 (circa 3 years)
- Seven months for the design, and consenting, of a $130m project appears aggressive and overly optimistic. However, we note that a similarly aggressive programme for the 'Princess Margaret to Hillmorton' Project was generally achieved.
- The construction durations appear realistic at this stage in the process. Validation of the construction periods will be achieved once the project is designed, and the contracting team are engaged.
- We understand that the Project requested approval to speed up the consultant engagement process, essentially by extending the contracts of a current consultant team working on the 'Princess Margaret to Hillmorton' Project. We understand that this request was rejected, and it was decided that a competitive tender for these services was necessary.

Budget

- Noting the stage of the project, it appears the budget is reasonable; however, there are key risks that were noted:
    - Escalation of construction costs over the next 5 years
    - Additional works for infrastructure upgrades in the ground
- We understand that there may be a proposal to utilise $37m of 'depreciation funding' for the Project. We are not clear what this means or how feasible it may be.

Scope/Other

- It appears that there is a reasonably robust design brief to inform the various options in the Business Case. It will be imperative to have this brief locked to allow the design team to efficiently carry out its work.
- It is noted that the Project is part of an overall programme of work to redevelop the Hillmorton site. This programme appears to be based on a well-developed and considered, detailed master plan.
- The team did not seem to view Building Information Modelling (BIM) very favorably. This may be more around the end users capability to utilise BIM outputs. BIM has progressed markedly in the last few years, and we would view it as an important design tool for infrastructure project delivery. It is unclear whether BIM will be utilised for design.

Acceleration Opportunities: [if any]

- There is an opportunity to engage with a main contractor in a negotiated fashion to allow a smoother and faster transition between Detailed Design and construction.
- Approval to use $37m depreciation funding would remove any remaining uncertainty. If this was not approved, we are unsure how that $37m would be funded.
- The design programme appears overly optimistic and is a risk to meeting current programme timeframes. However, we were not supplied with a clear programme for review and so are unsure how the team intend to deliver the project.

Trade-Offs:

- Negotiating with a contractor would erode competitive tension in the market and will almost certainly result in a higher price and not necessarily result in significant programme benefits.

Recommended Actions:

It is recommended that:

- A Procurement Strategy is developed and approved.
- A project programme is developed that is aligned with the Procurement Strategy and the required decision-making processes and delegated authorities. A reasonable and realistic design programme should be developed that will allow for standard stage gate processes including QS estimating, user reviews and feedback and typical checks and balances.
- A clinical planner/project manager should be included in the team to interface and manage the expectations between the design team and the stakeholder groups.
- Required decision making processes and structures are confirmed, and delegations (as noted above) should be put in place as soon as possible.
- Provide appropriate levels of delegations to the programme and project teams respectively to ensure the project does not have approval delays.
- A decision is made on the use of depreciation funding.

Infrastructure Expertise (Capacity/Capability) to Deliver:

- The former Canterbury District Health Board delivery team is very experienced, having delivered a significant portfolio of capital work following the Christchurch earthquakes.

Documents Reviewed and Interviews:

Desktop review of <u>key</u> project documentation (including but not limited to):

- Single Stage Business Case (final) – March 2022
- Hillmorton Masterplan – May 2022
- Proposed Governance Structure – August 2022
- Architectural Report (Tranche 1) – Feb 2022

<u>Key</u> documentation not sighted and therefore not reviewed:

- Project Brief
- Project Plan
- Project Programme
- Estimate
- Procurement Strategy

Interviews:

- [redacted]
- [redacted]
- [redacted] 9(2)(a)

NB: only a single 90min interview was had with the above individuals, and this included all three former CDHB MHIP projects. Together with the limited information provided for this project, our review has been largely based on anecdotal evidence. Fundamentally, we have not had a project programme to review.

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Counties Manukau:** New build of mental health inpatient unit to address capacity to 2030. Completed in September 2020 with $67.5 million in Crown funding allocated.
Project Review Methodology: i.) 'What was done' ii.) 'What was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• Specific questions regarding Māori engagement were not asked of the Project.
Project Assurance: • Time • Budget • Scope/Other
• The Project was completed in September 2020 and a thorough Post Implementation Review (PIR) process was conducted and a report prepared. • Key success factors include: - Taking time to consult broadly and deeply on the model of care in order to develop a clear and well considered design brief prior to and as part of the Business Case preparation, appears to have resulted in a Business Case that was robust with a defined scope and budget that were well aligned from the outset. - Stakeholders were encouraged to consider new and different ways of working as part of the consultation around the model of care development. - Key personnel were essentially released from their day-to-day roles so that they had time to dedicate the project. • Lessons learned where there are opportunities for improvement: - Despite the broad and deep consultation around the model of care and the design brief, Facilities Management personnel did not have a significant role in the briefing or design development. Their input to the design (particularly around materiality and fixtures/fittings) would have been useful. - Lack of Facilities Management involvement in the design and construction meant that there were issues at handover and during the defects liability period that could have been easily avoided.

Acceleration Opportunities: [if any]
• The Project was completed in September 2020. There are no opportunities to accelerate the programme.
Trade-Offs:
• Not applicable.
Recommended Actions:
• It is recommended that the PIR is shared with current project teams and socialised within IIG and MHIP so that lessons learned are shared.
Infrastructure Expertise (Capacity/Capability) to Deliver:
• The key success factors above should be noted.
Documents Reviewed and Interviews:
Desktop review of key project documentation (including but not limited to): • Post Implementation Review - 2020 • Detailed Business Case - 2015 **Interviews with the following:** • [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Capital and Coast:** New build individualised service units for high-risk mental health and intellectual disability clients completed "Go Live" in July 2022. Crown funding allocated to the project was $12.8 million.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• Specific questions regarding Māori engagement were not asked of the Project.
Project Assurance: • Time • Budget • Scope/Other

Time
• The Project's genesis was with a Business Case in 2016. The original budget was in the order of $8m but was closer to $13m at completion.
• This project is complete. The duration of the project from inception to completion appears very lengthy for the size and complexity. The District team noted a few key potential factors for this:
  ○ The Business Case was prepared based on insufficient information and therefore required relitigating.
  ○ The functional design brief, model of care etc. was not well defined before the design team was engaged. This led to design inefficiencies both with the design programme and no doubt the professional fee budget.
  ○ The District team did not have sufficient time allowed for alongside their regular role to manage the Project, nor did they have the skill set and/or experience to deliver a capital works project of this size and complexity.
Budget
• The original approved budget of $8.4m was announced by the Minister in July 2018. The total outturn cost at project completion was $13.23 in February 2022.

- The project is now complete; however, from the original Business Case to completion there was a significant cost increase (circa $5m or >60%). This suggests a number of failings, not all of which are apparent to us.

Scope/Other

- It was noted that the external Project Manager was excellent, but they did not have organisational knowledge and insufficient internal support was provided in this capacity.
- Design was largely completed in isolation from the users with a lack of consultation. It is not clear why this was the case. It was noted that users and stakeholders struggled to review design documentation when asked to do so.
- There is always a risk with this approach that the facility is not fit for purpose once constructed. Noted examples include the alignment of the new facility with existing building systems (such as security) that required additional works to rectify at the end of the project
- It is noted that the works were completed in February 2022 and a Certificate of Public Use (CPU) was issued. However, the preliminary close out report (dated May 22) suggests that no Code Compliance Certificate (CCC) had been received. This suggests a concern with the efficiency of the close out paperwork for the project.

Acceleration Opportunities: [if any]

- The Project is complete, and no opportunities exist to accelerate.

Trade-Offs:

- Not applicable

Infrastructure Expertise (Capacity/Capability) to Deliver:

- The District team overseeing this Project had limited resource at a management level for this project. In hindsight, it appears the Project would have significantly benefited from dedicated project delivery support.

Recommended Actions:

It is recommended that:

- Take note of the lessons learned from this Project (as noted in the Full Closure Report) and consider these for application to future projects.

Documents Reviewed and Interviews:

Desktop review of key project documentation (including but not limited to):

- Single Stage Business Case
- Preliminary Closure Report – May 2022

Key documentation not sighted and therefore not reviewed:

- Full Closure Report – June 2022

Interviews with the following:

- [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 29 September 2022

Project Name/Description:
• **Tairāwhiti**: Refurbishment/ replacement of the existing acute mental health facility in post approval design phase with $23/7 million in Crown funding allocated. Planned completion is March 2024. Infrastructure and Investment Unit has Level 3 intervention applied and has appointed a Project Director to lead the project.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • The project initiation involved significant community engagement, including strong representation from local Iwi, throughout the business case development. Toitu Tairāwhiti, representing the four Iwi of Te Tairāwhiti nominated the Mana Whenua representative on the Project Steering Group. The project team would like the opportunity to present to the new Te Aka Whai Ora local Iwi Partnership Board – however, no response has been received yet. • **Māori view is included in the design on the project…** • There has been specific cultural input through the entire design process, from the initial concept design stage for the Business Case and the ChowHill consortium which included Tupara Creative (specialist Māori design team) to the MODE consortium (main design team) which includes a specialist in Māori design. Māori design is as a critical component of this project's brief. At a district level local Pakeke are involved, referenced through the Mana Whenua representative. A wider user group is also referenced. • **Specific social procurement initiatives for Māori include…** • The cultural design is led by a local design consultant/artist. The main contractor procurement had some high-level broader outcome requests in terms of local engagement and Māori businesses – but due to the size of the local market nothing specific was mandated for fear of not being able to engage a main contractor or to add time and cost to the already challenges constraints.

Project Assurance:

- Time
- Budget
- Scope/Other

Time

- In June 2019, the then Health Minister Dr David Clark confirmed funding of between $15 million and $20 million for a new inpatient mental health and addiction facility at Hauora Tairāwhiti Gisborne Hospital.
- A single stage Business Case was completed in June 2020 seeking approval to invest up to $20 million to replace Te Whare Awhiora—the existing acute inpatient mental health and addictions facility on the Hauora Tairāwhiti Gisborne Hospital campus.
- In September 2021, as a condition of Business Case approval, additional project management support was added to the Project. We understand that at this point the Mental Health Infrastructure Programme (MHIP) stepped in.
- Following its involvement there has been a positive change in the planning and quality of project documentation. At this point the design was frozen and the model of care was revisited and finalised. This was a bold move but was required to set the rest of the project up for success.
- We understand that Concept Design was completed in early 2022, Preliminary Design was completed in mid 2022, and Developed Design is now underway.
- The programme provided appears logical and is at a level of detail and complexity, we would expect for a $20m project, although the durations for several key tasks may be overly optimistic. For example – 19 days for the evaluation and award of a circa $15m construction contract may not allow sufficient time for the decision making and approval process.
- We understand that Te Whatu Ora can sign the contract if the offer is within budget. We are not aware who can sign the contract if it is over budget.
- The construction duration appears to be 16 months, which might be overly optimistic for a $20m project in this location.
- There does not appear to be any float allowed for in the programme, this poses a risk to the completion date, should any unexpected changes or delays be met.
- It is noted that Gisborne Council is currently taking up to 80 days to process consents

Budget

- The project is currently over the budget allowed for in the Business Case. The Project Team is working to supply information to confirm what the added cost is, [redacted] 9(2)(j)
- The approved procurement strategy is a two-stage tender for the main contractor based on Preliminaries and General (P&G) and Margin, and a negotiated fixed price for the trades. This is a common strategy in the current market, particularly in locations where the market is constrained, but can lead to higher prices. It is not clear whether the project contingency has made a specific allowance for this price risk.

Scope/Other

- Funding was announced before a Business Case was prepared, and the Business Case was prepared before a model of care or extensive stakeholder engagement had been undertaken. It is understood that this did not result in changes to scope but rather any cost increases were due to market conditions e.g. COVID..

Acceleration Opportunities: [if any]

- Identify the specific issues related to consent processing and work with Council to make future consenting as efficient as possible.

- We understand that the procurement strategy does not involve formal 'Early Contractor Involvement' (ECI); however, that opportunity does exist to engage with a Contractor and develop the programme and methodology to de-risk them prior to starting on site.
- The approval of the additional funds to allow the Project Team to progress at pace is an opportunity to move forward sooner and with more confidence (as opposed to time spent exploring ways to reduce costs). NB: Report back to Ministers in October 2022.

Trade-Offs:

- Additional funding OR Reduced scope/benefits (and added time).

Infrastructure Expertise (Capacity/Capability) to Deliver:

- MHIP appears to have the capacity and capability to deliver this Project on behalf of the region and there appears to be sound management from the client side. The project documentation provided by the Project looks to be of a high quality.
- The contracting market in Tairāwhiti poses one of the largest challenges. The approach being adopted whereby a contractor is being engaged for the enabling works to allow them to form relationships with the local market appears sensible. This does mean it will be more challenging to get competitive tension for pricing.

Recommended Actions:

It is recommended that:

- Consent issue documentation is reviewed prior to lodgment to ensure the quality is sufficient and the Council can process the application in a reasonable timeframe.
- An early design review workshop is held with the Contractor, and design team, to examine constructability and programme assumptions.
- Project contingency and overall budget is reviewed to ensure that the funding and budget match the scope, programme, and overall project risk profile.
- If programme is to be prioritised, identify and approve additional funding.
- Review the programme once tested with the market and provide a realistic update to the completion date with adequate float allowance.

Documents Reviewed and Interviews:

Desktop review of key project documentation (including but not limited to):

- Single Stage Business Case – June 2020
- Project Plan (v7) – April 2022
- Preliminary Design 50% QS Estimate – April 2022
- Assurance Reports – March to June 2022
- Preliminary Design Report – June 2022
- Project Programme – July 2022
- Procurement Plan (v2) – June 2022

Key documentation not sighted and therefore not reviewed:

- Nil

Interviews with the following:

- [redacted]

- [redacted]
- [redacted]

9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Northland:** Refurbishment, co-location, and integration of 4 community mental health service sites in the post approval design stage with $19.5 million in Crown funding. Planned completion[1] is March 2023. Infrastructure and Investment Unit has no intervention applied to this project.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • Regular meetings of the project team with Te Ahi Kaa as well as various levels of governance. The project sits under the governance of the Capital Works Steering Group Meeting. Both the GM responsible for the Māori directorate (and until July 1) the Chair of the Board , sit on the committee and represent Māori interests and are recognised in their Iwi liaison roles. At MHAS level there is a working group Te Kaho Paetara. The group is made up of MHAS Kaitakawaenga staff and includes representatives from Te Poutokomanawa (the Māori directorate). Te Kaho Paetara meets monthly to review the project process and procedure and is tasked with ensuring the project aligns with Te Ahi Kaa recommendations. • MHAS leadership meetings include representatives from Family and Whanau Team Leads and cultural support from Taituaraa.PCG includes representatives from Family and Whanau Team Leads, TL of Te Roopu Whitiora and other WASSS teams, Service Managers, and Service Development representatives. • **Māori view is included in the design on the project…** • Whaiora and Whanau workshops, staff workshops, direction and approval from Te Ahi Kaa, Te Kaho Paetara working group, inclusion of Hihiaua Cultural Art Centre. Te Ahi Kaa has consulted around the project's cultural narrative and Hihiaua Cultural Art Centre has been heavily involved in the interior design of Manaia House, including the choice of art and other pieces for the space, the design of etched and cascade acoustic treatments and the design of manifestations on glass doors and viewing windows. Staff were widely included in the design of the MHAS logo, along with the approved by-line, which is now being used northland-wide. Approval for the logo and by-line has been received from Te Ahi Kaa. The use of bilingual signage, Te Reo and English, incorporating room and area names given by Te Kao Paetara, once completed feedback will be requested from stakeholders. The change process is still underway, but the intention is to

[1] Planned Completion date is the "go live' date approved by Joint Ministers

incorporate new culturally responsive procedures. There is discussion around the potential for whaiora and whanau to display their art in the building.

- **Specific social procurement initiatives for Māori include…**
- This question was not answered

Project Assurance:

- Time
- Budget
- Scope/Other

Time

- The project is in the construction phase and is generally on budget and programme with an estimated completion May 2023 (2 months later than planned completion date). There does not appear to be any reason why the organisation should not deliver on expectations.
- The construction programme included in the Project Execution Plan may benefit from showing a clearer critical path with linked activities. This is likely to be just the way the programme is presented as it does appear that a critical path exists.

Budget

- The Project prepared and submitted a 'Light' Business Case in May 2020 that included several options. The approved option and associated budget was in the order of $8.4m.
- The budget was later increased from circa $12.25m to $19.5m (i.e. an increase of $7.25m) for two reasons:
  - Contingency of circa $1.43m added, and
  - Reimbursement of land and buildings acquisition costs of circa $5.82m added (costs previously paid by the District.
- As above, the project is approximately halfway through construction therefore final outturn costs have increased certainty and the project appears to be tracking to the $19.5m budget. However, the arithmetic between actual and committed spend appears incorrect in places (i.e., the committed spend should account for actual / sunk costs already spent so that these two cost centres add up to the total cost for the budget).

Scope/Other

- The Project involves the extensive refurbishment of an existing building. The construction services were publicly tendered based on full design and is a fixed price lump sum contract.
- The Project anecdotally advised that the Business Case process was drawn out and took over two years working with Ministry of Health (MoH) to complete.

Acceleration Opportunities: [if any]

- There are limited if any opportunities to accelerate the current programme.

Trade-Offs:

- Not applicable.

Recommended Actions:

It is recommended that

- Te Whatu Ora should review its actual and committed spend to address any errors, ensuring that actual and sunk cost centres add up to the total cost of the budget.

Infrastructure Expertise (Capacity/Capability) to Deliver:
• It was noted that one of the keys to the Project's success has been the involvement of an internal stakeholder liaison manager to engage with, and coordinate stakeholders (especially clinicians and facilities management). • It is noted that the Project appears to be wholly managed internally with no external Project Manager. This model may prove challenging for larger projects.
Documents Reviewed and Interviews:
Desktop review of <u>key</u> project documentation (including but not limited to): • Light Business Case – May 2020 • Assurance reports – April to July 2022 • Project Execution Plan – including current budget and construction programme • Ministerial Budget Change Approval – Dec 2021 • Project Master Programme (received late – not reviewed) **<u>Key</u> documentation not sighted and therefore not reviewed:** • Project Brief **Interviews with the following:** • [redacted] • [redacted] • [redacted] • [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R2

Date: 28 September 2022

Project Name/Description:
• **Taranaki**: Refurbishment and upgrade of mental health facility in post approval design stage with $8 million in Crown funding allocated. Planned completion is October 2024. Infrastructure and Investment Unit has no intervention applied to this project.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • Te Whare Pūnanga Kōrero (Ngā Iwi o Taranaki Hauora Partnership Board), appointed a group called Taumaruroa to sit alongside the Project Steering Group and is our Tiriti partner group leading the project. Taumaruroa guide us to ensure the incorporation of Taranaki Tikanga and Toi are considered throughout all aspects of the project. Te Whatu Ora Taranaki has a broader relationship also. Taumaruroa includes two advisory bodies, Te Kāhui Tikanga (cultural advisory) and Te Kāhui Toi (creative design advisory). These bodies function independently. Within Te Whatu Ora Taranaki, the Project Steering Group includes the Chief Māori and Equity Officer and the Programme Director - both are Māori. In addition, Te Whatu Ora Taranaki created a new role within Te Pa Harakeke (the Māori directorate), called the Pou Haumanu – Māori Facility and Resource Development Lead to ensure a clear and coordinated feedback mechanism between Māori and all Te Whatu Ora Taranaki projects. This role is responsible for leading, facilitating, and coordinating iwi and Māori input across all facility developments, in particular Project Maunga, to enable integration of te ao Māori into our new facilities. • **Māori view is included in the design on the project…** • The function of Te Kāhui Toi has been contracted to a local Māori design firm - Tihei Limited. Tihei has produced a campus wide narrative called Te Puna Wai Tāheke iho I te Ora in order to embed Tikanga and Toi in our projects. The document has considered Taranaki Tikanga (building on previous Te Kāhui Tikanga work) and is to guide the design of Te Whatu Ora Taranaki projects and ensure consistency of overarching design principals, interpretations and colour palette. Tihei have contributed specific design elements within our current projects and continue to assist in the close out of final items. It should be noted that the hospital site is within the mana whenua region of Ngāti Te Whiti. While the hospital design will be inclusive of all iwi and diverse identities of the region, the prominence of Ngāti Te Whiti will be a key feature. • **Specific social procurement initiatives for Māori include…** • Project Maunga has engaged with He Toronga Pakihi ki Taranaki (Māori business network Taranaki). A hui with Pakihi members and Project Maunga contractors has been set up in

September to network and discuss opportunities within the wider programme of works. It is intended that this will be an on-going relationship and a series of hui will be arranged.

- Representatives of the Project Maunga team met with Te Aranga Ngā iwi o Taranaki Collective, Te Ati Awa, Te Puni Kokiri, WITT and MBIE to discuss Māori business in Taranaki forming consortia that allow them to submit bids in larger projects, improving our procurement processes to allow better access, and a main contractor perspective on consortia bids.
- Te Whatu Ora – Taranaki is in the process of setting up a way to track engagement with Māori businesses and the procurement team have stated they are looking to follow advice from Te Puni Kokiri.
- Planning for project staff/contractor cultural induction has begun – admittedly this is at a very early stage and more needs to be done to drive this.

Project Assurance:

- Time
- Budget
- Scope/Other

Context:

- A 'Light' Business Case and Shovel Ready application was prepared under urgency in July 2020 and subsequently approved. The approved scope included six separate work packages totaling $8m.
- More detailed scoping and briefing was completed in 2021 and a revised estimate for the six packages was over $20m. We understand that a request for additional funding to deliver the agreed scope was made by the District but this was rejected.
- In early 2022 the District sought approval to deliver a reduced scope of work for the $8m approved budget and is currently awaiting a response to that request.
- The proposed reduced scope of work includes the two highest priority packages from the original six packages:
  - Renovation of Tukapa House - [redacted] 9(2)(j)
  - Safety upgrades to Te Puna Waiora (TPW) - [redacted] 9(2)(j)

Time

- The Project is currently 'on hold'. The District is awaiting direction how to proceed. As such, there is no forecast completion date.
- The Project Programme provided is inadequate and lacking detail and complexity for a public sector project of this size and scale.

Budget

- We have not reviewed the design (not requested or provided) and cannot therefore provide detailed comments on the current Preliminary Design Estimate. However, we note that:
  - [redacted] 9(2)(j)
  - Escalation appears low and needs to be increased and based on the latest NZ Institute of Economic Research (NZIER) forecast.
  - The budget should be updated to include any agreed fixed fees rather than current estimates.
- We note that the proposed budget for Te Puna Waiora (TPW) is less well developed and based on a high-level feasibility estimate provided by the Project Director. [redacted] 9(2)(j).

Scope/Other

- We did not review the Project Brief (as it was not provided) and have not assessed the extent to which the Brief reflects the organisational needs.

- It should be noted that Interviewees were confident that the Brief development had involved all key parties and was now well developed and in line with organisational requirements.

Acceleration Opportunities: [if any]

- The Project is essentially 'on hold' with the District awaiting direction on how to proceed. The two options appear to be:
  - Approve the application for $8.5m funding to allow Tukapa House and upgrade of TPW to proceed.
  - Alternatively approve additional funding to allow the approved scope to be delivered.

Trade-Offs:

- Additional funding OR Reduced scope/benefits.

Recommended Actions:

It is recommended that:

- Te Whatu Ora respond to the Memo from Taranaki District Health Board (District) – [redacted] 9(2)(a)
- Te Whatu Ora ensure the programme is developed to include all key project tasks and a greater level of sophistication i.e., constraints, interdependencies, linking of tasks to ensure the critical path is understood
- Te Whatu Ora ensure the programme is reviewed to ensure that appropriate durations are provided for all tasks.

Infrastructure Expertise (Capacity/Capability) to Deliver:

- We did not specifically assess the District's capacity and capability to deliver the project. However, the organisation has a number of other (significantly) larger projects in the pipeline that will place pressure on internal and external resources.
- This should be given careful consideration when developing project programmes, milestones, procurement strategy etc.

Documents Reviewed and Interviews:

Desktop review of key project documentation (including but not limited to):

- Light Business Case – July 2020
- Assurance reports - May to August 2022
- Cost estimates (various)
- Project Programme – August 2022
- Revised Business Case - 2021
- Recent correspondence between the District and Ministry of Health.

Key documentation not sighted and therefore not reviewed:

- Project Execution Plan (an example was provided from another project)
- Project Brief

Interviews with the following:

- [redacted]
- [redacted]

- [redacted]
- [redacted]
- [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Nelson/Marlborough:** Refurbishment of inpatient unit in post approval design stage with $2.5 million in Crown funding allocated. Planned completion[1] is August 2023. Infrastructure and Investment Unit has no intervention applied to this project.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • The Director Māori Health & Vulnerable Populations sits on both the executive leadership team at TWO – Te Tauihu and the interim facilities programme board. The Director will provide the requisite interface with the Iwi Health Board (under the previous district health board) and now the iwi partnership board (under the Pae Ora Act structures) along with Te Waka Hauora which is the local Māori health team • **Māori view is included in the design on the project…** • Sign off at design gates requires input from the Te Waka Hauora team who will consult further as necessary • **Specific social procurement initiatives for Māori include…** • There are no mandated social procurement initiatives for Māori – due to the nature of the contractor market within the Nelson/Tasman region. We have commenced discussions with MSD around a "skills hub" that will look to provide a range of training and skill development opportunities to be available as we move forward with the construction of a new Nelson Hospital. This proposal is along the lines of the skills hub that has been set up in Dunedin to support the new Dunedin Hospital. Based on latest information this may be some years away before it is established and the process underway.
Project Assurance: • Time • Budget • Scope/Other

[1] Planned Completion date is the "go live' date approved by Joint Ministers

Time

- The Project is halfway through Detailed Design, and on track based on the information reviewed.
- However, the construction duration is estimated at seven months. This seems on the optimistic side, given the constrained nature of the local market and the works being in an operational building leading to relatively high staging requirements which will add time.
- Construction is timed to commence after what is traditionally a busy time for the mental health facility (January/February). Acceleration of the design may not result in an earlier start on site.
- We were not provided a programme to review so assessment is based on anecdotal comments only.

Budget

- The project was part of a shovel ready application that was put together in response to a very compressed deadline. The original scope included five sperate projects and was estimated at $10m. The mental health part of that application was estimated at $2.5m.
- The total project budget is now circa $5.5m and the estimate was below budget at the end of Developed Design [redacted] The additional funding required is proposed to be funded through alternate District funding and thus there appears to be no intention to secure additional Crown funding. 9(2)(j)
- A developed design estimate has been completed and the current forecasted project cost is circa [redacted] compared to the budget of $5.5m. [redacted] 9(2)(j)
- [redacted] 9(2)(j)

Scope/Other

- The Project is a relatively small refurbishment of an existing inpatient unit.
- The District believes that it is required under the Government Rules of Sourcing to tender the project publicly via Government Electronic Tender Service (GETS). The current strategy is to complete the design in full and tender the contract. A Procurement Plan is being prepared.
- It is likely that an Enabling Works package will be negotiated with a local contractor who has a contract with Te Whatu Ora for general works of this nature. This seems a reasonable approach.
- It is apparent that the scope of the project has changed over time. It is important that the scope does not continue to change so that the programme can be maintained.

Acceleration Opportunities: [if any]

- Accelerating the design and/or other critical path activities may not necessarily be in the interests of the District, noting its traditional 'busy' period in January/February each year.
- That aside, if acceleration was desired, the key opportunity would seem to be a relaxation of the requirements for a publicly advertised tender.
- Te Whatu Ora already has a contractual arrangement with a local contractor who is capable of delivering the works, and a track record of performance with the District, then an opportunity may exist to negotiate a contract with the incumbent (in parallel with building consent processing). This could remove several weeks from the programme.

Trade-Offs:

- Negotiating with an incumbent may not send the right message to the local market, particularly with a much larger project in the pipeline for the organisation. However, the contract value is very low in comparison.

Recommended Actions:
It is recommended that: • Te Whatu Ora considers the risks and benefits of negotiating a contract with the incumbent contractor instead of a publicly advertised tender process. • Te Whatu Ora consider bringing on an external Project Manager to support timely delivery
Infrastructure Expertise (Capacity/Capability) to Deliver:
• The Project is relatively small at only $5.5m. The Consultant team is experienced; however, it is noted that the District is managing the project themselves and could potentially benefit from an external consultant Project Manager (noting the much larger Nelson Hospital Project in the pipeline which will take up a lot of the organisations time).
Documents Reviewed and Interviews:
Desktop review of key project documentation (including but not limited to): • Business Case – August 2020 • Status Report(s) – April and June 2022 **Key documentation not sighted and therefore not reviewed:** • The Business Case addendum • Project Execution Plan • Project Programme • Project Brief • Project Budget • Procurement Strategy **Interviews with the following:** • [redacted] 9(2)(a) • [redacted] • [redacted] • [redacted]

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• Mid Central - New build of acute mental health facility currently on the main campus in post approval design phase with $35.5 million in Crown funding allocated. Planned completion is September 2024. Infrastructure and Investment Unit has Level 2 intervention applied and joined the project governance board.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • The Steering Group for the AMHU includes membership from Rangitane, the Iwi within whose rohe the hospital sits. • The governance tier below this is the Project Control Group (PCG), which includes membership from Paeora Paiaka Whaiora Hauora Māori – the Māori health directorate for MidCentral, and representative membership from Mana Whenua Hauora, the combined voice of the 6 Iwi within our district. These members are able to raise and vote on items within the group and equally take matters for consideration back to their own iwi for collaboration, decision and feedback. • **Māori view is included in the design on the project…** • As part of the recent work around the project a cultural narrative was developed and provided to us on behalf of Rangitane and is being progressed in the design work for the AMHU. Ngāti Hineaute are the lead for this item and have agreed collaborative and decision-making frameworks with Mana Whenua Hauora. • On each occasion that a workshop has been completed, in each phase of design, members of these groups have been invited to provide feedback, expertise and guidance to the design process. • Within the design phase the project was paused in developed design to reconsider aspects of cultural significance to ensure these were consistent with the needs expressed by Rangitane advisors. That resulted in some realignment to spaces and flow, particularly around the Atea and public facing spaces. The overall design is aligned with and reflects the Tararua and Ruahine ranges which are important to this rohe. The Model of Care for the AMHU holds abiding principles of commitment to and with Māori.

- **Specific social procurement initiatives for Māori include…**
- Māori input into the design process has been sought. The broader outcomes, including development of Māori opportunity, is part of the evaluation criteria for the main contractor. On each occasion that we onboard contractors and/or introduce members into this project, cultural aspects and impact on Māori are considered.
- It the intention of the Te Uru Rauhī directorate to build on the staff cultural competency progressively during the building and implementation process

Project Assurance:

- Time
- Budget
- Scope/Other

Time

- The Project has completed Detailed Design. We have not assessed project performance against programme to date, only the forecast programme to complete. The programme provided seems to be a reasonable level of detail for a project of this size, scale, and complexity. There is a risk to the current programme if the construction tender is over budget (as it expected to be).
- The current procurement strategy isn't clearly defined in the Procurement Plan but is understood to be a two-stage process. Stage 1 being a fixed price tender for the ground and slab works as well as P&G and margin for the remainder of the project. Stage 2 is to be a fixed price lump sum (negotiated) for the trade works above slab. It is hoped that a fixed price can be negotiated for stage 2, but it is noted that the current market is constrained, and a fixed price may not be obtainable.
- The slab has already been consented which has removed that activity from the programme critical path which appears to have been in response to programme risk. Additional measures have been undertaken in order to de-risk the programme.

Budget

- The original budget was expected to increase from $30m to $35m because of design changes to the project scope. [redacted] 9(2)(j)
- It is not clear how this budget shortfall is proposed to be addressed, particularly as options to reduce the scope of the project appear very limited to realise the proposed project benefits. We understand that IIG is aware of this and will be reporting this to Ministers in October 2022.
- Detailed design is almost finished, therefore effectively "winding back" scope at this stage of design would incur additional time and cost (including additional escalation). Therefore, further value engineering is not an option and anecdotally, nor is locally sourced funding. We can therefore only assume that the Project intends to request additional funding if the scope is to remain as currently contemplated. It is not clear what this process will involve.
- The Project is pushing ahead with tendering the project (in two stages) [redacted] 9(2)(j) The first stage (full P&G and Margin and substructure works) is currently under evaluation; however, we do not have visibility of how this first stage tender compared to the current Developed Design Estimate
- [redacted] 9(2)(j)

Scope/Other

- A single stage Business Case was submitted in 2020 and contained several options. However, a single preferred option was not identified at that time. In retrospect, more work should have been done prior to preparing the Business Case to determine the preferred option and to gain better

certainty around scope and budget. It is understood funding was announced for the Project before the Business Case was completed or submitted.

- It is understood that the Project consulted widely and deeply as part of the Concept and Preliminary Design Process and so there is a high degree of confidence that the scope and design is aligned with the defined and required model of care. This included consultation with mana whenua and pausing the project on occasions to make required design changes following feedback.
- It is not clear what the approval process is to accept and sign a construction contract that may be over [redacted] and above the approved project budget. There is a risk of programme delay if additional funding cannot be approved in the timeframe required to maintain programme. 9(2)(j)
- No time has been allowed in the programme for any contract review/approval process by Te Whatu Ora.

Acceleration Opportunities: [if any]

- There are no obvious acceleration opportunities; however, there is a key risk to the programme related to the tender expected to be over budget and outside the affordability envelope. To sign a contract and maintain programme, additional funding will be required.

Trade-Offs:

- To maintain programme, additional funding will be required.

Recommended Actions:

It is recommended that:

- It is understood that IIG will report on cost pressures to Ministers in October 2022. It is recommended that it is confirmed whether additional funding is available.
- If additional funding is not available or there are processes through which the Project must go to secure funding, then those processes and timeframes should be confirmed, and the tender put on hold until such a time that the project budget is confirmed. It should be understood though that any delay will inevitably result in even higher costs due to escalation.
- If additional funding is available and anticipated, then this would need to be confirmed urgently if programme is to be maintained.

Infrastructure Expertise (Capacity/Capability) to Deliver:

- The Project appears well supported by external consultants. Of all the projects reviewed, this Project produced the most comprehensive file of project documentation.
- It appears that measures are being taken to address issues with the local construction market; however, this is a risk to the project.
- The significant jump in the construction estimate in a short space of time does seem unusual and may need to be explored.

Documents Reviewed and Interviews:

Desktop review of key project documentation (including but not limited to):

- Business Case – June 2020
- Functional Design Brief – July 2021
- Contractor procurement Plan (v4) – June 2022
- Governance Structure – not dated
- Master Programme – July 2022

- Risk register – July 2022
- Cost Report – May 2022
- Cost report – July 2022
- Master Programme – June 2022
- Assurance Report – April to June 2022

Key documentation not sighted and therefore not reviewed:

- Project Execution Plan

Interviews with the following:

- [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Hutt Valley** - New build/replacement of the Te Whare Ahuru Mental Health unit in post approval design stage with $30.5 million in Crown funding allocated. Infrastructure and Investment Unit has applied Intervention Level 3 and appointed a Project Director mid-2021.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• Specific questions regarding Māori engagement were not asked of the Project.
Project Assurance: • Time • Budget • Scope/Other
Time • The Ministry of Health (MoH) identified that it was not concerned that the project was moved to a new site provided it did not have a negative impact on the design process and programme. This would indicate that time is a critical success factor for the project. • It is understood that asbestos removal may take longer than originally planned and may delay programme. **Budget** • $8m was allocated for the enabling works. There is a very high-level breakdown [redacted] We would view this as a feasibility estimate. 9(2)(j) • [redacted] 9(2)(j) • Not having the appropriate level of contingency means there is a risk of project delays when costs escalate, and a project needs further funding approval. **Scope/Other** • The key risk for the enabling works is removal of asbestos as part of the demolition works. Contractors have flagged that the extent of asbestos is greater than previously thought and will take longer to remove than is in the current programme. • The Business Case has been prepared using the 'Light' template and is well written, but we would question the need for a Business Case in this instance.

Acceleration Opportunities: [if any]
• In April's Monthly Assurance Report, it is stated that - 'The Benefactor also confirms that the final location of the new mental health unit is of little impact as long as a clear site for construction is provided.' It is therefore important that a clear site is provided as quickly as possible. • [redacted] 9(2)(j)
Trade-Offs:
• Not applicable.
Recommended Actions:
It is recommended that: • Review budget and contingency and ensure there is an appropriate level of contingency relative to the project stage and risk profile.
Infrastructure Expertise (Capacity/Capability) to Deliver:
• Not reviewed.
Documents Reviewed and Interviews:
Desktop review of key project documentation (including but not limited to): • Business Case Enabling Works 220419 (Ver6) • Assurance Report April 2022 • Assurance Report March 2022 • Mental Health HNZ Quarterly Assurance Report Q2 (Apr-Jun) • Hutt Valley AMHF Deed v13 (final) • Hutt Valley DHB AMHU Approval of Development Deed Minister of Finance (HR 20212690) Dec 2021 • Hutt Valley DHB AMHU Approval of Development Deed Minister of Health (HR 20212690) Dec 2021 • Hutt Valley DHB AMHU Project Scope Change Approval June 2022 **Key documentation not sighted or reviewed:** • Project Brief • Project Programme • Estimate • Confirmed governance/delivery model • Procurement Strategy **Interviews:** • Nil

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Bay of Plenty Tauranga**: New build of 24-bed mental health facility in single stage Business Case with $30 million in Crown funding allocated. No estimated completion date at this time. Infrastructure and Investment Unit intervened at Level 2 in February 2022 and escalated to Level 1 in July 2022 with responsibility for managing the project.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • A governance board which is being set up which will have a District Māori Health Exec representative. The Iwi Partnership board is still being established. This area requires focus from the steering group over the next 3 months. • **Māori view is included in the design on the project by…** • The Toi Ora document which captures the cultural approach which is applied to all projects. There are also facilitated workshops during the feasibility/concept design stages for the project story board and a design brief for Māori and other cultural groups was developed and documented. This was then shared back to the groups for endorsement • **Specific social procurement initiatives for Māori include…** • The project expects to follow the government Broader Outcomes for procurement which encourages the creation of opportunities for Māori businesses and skill development. There is a certain expectation based on past experience that the local construction market will struggle to demonstrate their ability to support initiatives of this nature.
Project Assurance: • Time • Budget • Scope/Other
District Overview • As part of Budget 2019, $45 million was allocated to The Bay of Plenty District Health Board (the District) to upgrade its two mental health and addictions acute inpatient units: Te Toki Maurere in Whakatāne ($15 million) and Te Whare Maiangiangi in Tauranga ($30 million). Both investments were subject to Business Case approval.

- [redacted] 9(2)(j)
- The District was then instructed to utlise the $45m approved budget to address Health and Safety (H&S) issues with the current Tauranga mental health facility. Accordingly, a Business Case was submitted for approximately $10m of H&S related upgrades to the Tauranga facility (May 2022). This remains unapproved.
- Recently, the District has been asked to submit two new Business Cases (for Tauranga and Whakatāne) under urgency (expected in November 2022). The requested Business Case for Tauranga is expected to include five options between $10m and $80m. It is understood that one of the options will include the $10m H&S upgrades already submitted and unapproved.

Time

- There is currently no approved programme for the Project. Programme estimates for each of the five expected options have yet to be prepared.

Budget

- There is an approved budget of $30m in Crown funding; however, the budget cannot be confirmed for the Project until the requested Business Case options assessment has been completed.

Scope

- There is no approved scope for the Project. The five expected options for the requested Business Case are currently under development.

Acceleration Opportunities: [if any]

- [redacted] 9(2)(g)(i)
- Rather than require the District to prepare a Business Case including five options, the process could be expedited by only requiring a 'Light' Business Case for the organisations preferred option.
- We estimate that a 'Light' Business Case could be submitted relatively soon and if approved before the end of the year, the Project could be into design in early 2023. The Project could potentially be complete some time in 2024.

Trade-Offs:

- There are presumably reasons why a new Business Case has been requested that includes the investigation of five options. If the 'Light' Business Case approach was adopted, then presumably there is a potential lost opportunity around the value that the other four options may have delivered.

Recommended Actions:

It is recommended that:

- If an earlier completion of the required mental health upgrades in Tauranga is desired – MoH/Te Whatu Ora could either:
  a) approve the $10m Business Case already submitted for the required H&S upgrades OR
  b) request a new 'Light' Business Case for the H&S upgrades and the additional rooms required. NB: It is assumed that a 'Light' Business Case would be less work to prepare, and less work to review/approve and so would most likely result in an earlier project start in 2023.

Infrastructure Expertise (Capacity/Capability) to Deliver:
• We have limited visibility of the capacity and capability within the District to deliver the proposed Project, or details of any proposed intervention. [redacted] 9(2)(g)(i)
Documents Reviewed and Interviews:
Desktop review of key project documentation (including but not limited to): • Single Stage Business Case – May 2022 • Business Case Addendum – May 2022 Documents sighted but not reviewed: • Toi Ora System of Care v.6 - 13 August 2021 - Environment.pdf [Received 8/9] • SK020 BOPDHB TGA MHU - TE TINI O TOI CONCEPT - 200622.pdf [Received 8/9] • Te-rautaki-a-toi-ora-2030-english (1).pdf [Received 8/9] Interviews with the following: • [redacted] • [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Canterbury**: New build to relocate specialist services from Princess Margaret to Hillmorton in Delivery Stage with $81.8 million in Crown funding allocated. Investment and Infrastructure Unit has no intervention level applied to this project.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• Specific questions regarding Māori engagement were not asked of the Project.
Project Assurance: • Time • Budget • Scope/Other
• An Indicative Business Case (IBC) was prepared and commissioned by Canterbury District Health Board (CDHB) in 2016 (and finalised in August 2017), to consolidate CDHB services onto three sites: Christchurch, Burwood and Hillmorton Hospitals, and exit the Princess Margaret Hospital (PMH) site. • In 2018 the Ministry of Health (MOH) commissioned a Detailed Business Case (DBC) to provide recommendations on the preferred investment option for relocation of regional and local Specialist Mental Health Services (SMHS) from the PMH to the Hillmorton Hospital site. • The preferred option(s) were as follows: o Option 1 (GFA 10,474m2 – estimated capital cost $97.7m o Option 2 (GFA 11,322m2 – estimated capital cost $103.3m • The recommended procurement strategy was for the project to progress through a traditional procurement approach for construction based on separately procured and fully documented design. The construction is currently approaching completion. **Time** • Based on the July 2022 Assurance Report, Ministerial approval was received in December 2018. Design followed through to July 2020, and construction followed commencing in January 2021, with a forecast completion originally of November 2022 but current forecast April 2023.

- The change in this completion date is noted as being driven primarily by factors relating to the contractor including material supply and staff shortages due to COVID. The revised completion date appears realistic.
- It is noted that the November date was reported in the May assurance report and the April date in the July report. This is a significant jump in two months and may require further investigation.
- The design phase duration of the project was close to the original programme.

Budget

- [redacted] 9(2)(j)
- The District team noted during the interview they are confident in delivering the project within the approved budget.

Scope/Other

- The scope of the project was not discussed at length as the Project is nearing completion.

Acceleration Opportunities: [if any]

- The Project is well through the construction phase. Opportunities to materially accelerate the Project are limited at this phase.
- Acceleration funding would likely not provide any significant change to the completion date.

Trade-Offs:

- Not applicable.

Recommended Actions:

- Nil

Infrastructure Expertise (Capacity/Capability) to Deliver:

- The former CDHB (now part of Te Wai Pounamu) has had a significant portfolio of capital works following the Christchurch earthquakes. It appears that there is significant maturity in the capital development team. This is both internally and with the external consultants that are used on these projects.

Documents Reviewed and Interviews:

Desktop review of key project documentation (including but not limited to):

- Detailed Business Case – November 2018
- Assurance reports – March to July 2022
- Contract Programme – Feb 2021
- Project Execution Plan – August 2019
- Development Principles - various
- Risk Register – July 2022
- Procurement Plan(s) - various
- Master Programme – April 2020

<u>Key</u> documentation not sighted and therefore not reviewed:

- Procurement Strategy

Interviews with the following:

- [redacted]
- [redacted]
- [redacted] 9(2)(a)

NB: only a single 90min interview was had with the above individuals, and this included all three former CDHB MHIP projects.

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 29 September 2022

Project Name/Description:
• **Lakes**: New build replacement and capacity expansion of current mental health facility in post approval design phase with $33 million in Crown funding allocated. Planned completion is August 2024 (re-baselined in July 2022). Infrastructure and Investment Unit has Level 2 intervention applied and has joined the project governance board.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • There has been Iwi Governance representation on the steering group throughout the development of the Model of Care (2018), Single Stage Business Case (end of 2018 to early 2020) and all design phases since. Once the Business Case was approved, the Mauri Ora Transformation team was created to ensure active involvement of key stakeholders in the design of the build and specifically the non-build dependent changes to ensure robust implementation of the model of care. There is Iwi representation from Ngati Whakaue providing liaison to ensure communication between the project and Ngati Whakaue Iwi at their monthly meetings and to lead tikanga on the project. Pukeroa Oruawhata Trust and iwi also contributed to the review of site options and site selection. • Reporting on change management of the project is to the Mental Health Advisory Group, with representation from former Lakes DHB board members / Iwi Governance Te Rōpū Hauora o Te Arawa and Tūwharetoa. Overarching to the project is the Mauri Ora Build Steering Group with representation from Te Whatu Ora Lakes Māori Health. Some members of the internal project team are of Ngati Whakaue including the Cultural and Clinical Liaison. A key part of this role is to liaise with the Ngati Whakaue Building Artists. This role works in partnership with the Mauri Ora Build Project Analyst and Change Manager to form the internal project management team. • **Māori view is included in the design on the project…** • The importance of the project reflecting a Māori worldview is clearly articulated in the guiding principles and the model of care, Te Ara Tauwhirotanga. The mana whenua of the Lakes region – Te Arawa and Tūwharetoa are recognised and meaningfully involved at a strategic level in service planning or development. The services delivery design is diverse and supportive of Matauranga Māori. • Pukeroa Oruawhata Trust and iwi contributed to the review of site options and site selection. • Within the Design Team, Architects [redacted] have sub-contracted a Māori-led design practice TOA to specifically oversee the cultural aspects of the project. They liaise closely with Iwi and Mana Whenua Artists' Hui with the Mauri Ora Building Artists. 9(2)(j)

- An example of application of these is the design of the Whare Manaaki to enable a culturally appropriate space for options such as Rongoa. The design of the Whānau room with interconnecting room for Tangata whaiora (Service user) is another example of enabling Taha Whānau as integral to recovery from a Māori worldview.
- **Specific social procurement initiatives for Māori include…**
- The project has procured services from Māori-led business TOA and commissioned building art by Ngati Whakaue artists.
- The procurement strategy didn't specifically include initiatives for Māori but did include "Local" as one of the evaluation criteria which will benefit the 40% Māori population of the district.

Project Assurance:

- Time
- Budget
- Scope/Other

Time

- The Project programme provided may be insufficient for a public sector project of this size and scale (i.e. may lack expected detail and complexity); however, it is acknowledged that the programme provided has been 'rolled up' and we cannot see all tasks, and we are therefore unable to assess the overall programme quality.
- The Project is approaching the conclusion of Detailed Design and so the programme 'risk' will soon transfer to the contractor.
- [redacted] 9(2)(j)
- The Project Team has noted significant delays in obtaining consent for earthworks. We understand that approval may be very close, but also that any further delay may push the required earthworks into summer 2022/23. This would delay the overall project completion significantly.

Budget

- We have had very little information to review with respect to the budget, and so it is very hard to provide any insight. Contingency and contractor P&G/Margin allowances appear reasonable.
- The Assurance Reports suggest that the project budget is forecast to be [redacted] 9(2)(j)

Scope/Other

- We have very few documents to review. The original Business Case (dated Dec 2021) describes the scope the best; however, we understand there have been several amendments including the preferred site location. This change of site has caused a historic delay to the programme.
- We understand that significant work and stakeholder engagement was undertaken to inform the model of care prior to the Business Case being prepared. The fact that the project budget remains largely as was included in the original Business Case suggests that this was a robust approach. Given the observations in the market over the last 24 months, the increases in the cost estimate should not be a surprise.
- We have not been provided a Procurement Strategy or Procurement Plan but understand that the contract works will be procured via a traditional two staged publicly advertised tender. We have no reason not to support this approach.

Acceleration Opportunities: [if any]

- Given that design is nearing completion there appear to be few opportunities to accelerate the programme.
- We would however point out several risks related to meeting the current forecast programme. These include:
  - The forecast construction duration appears overly optimistic at 14 months.
  - The forecast completion date should include commissioning and occupation.
  - There are risks related to approval of the earthworks consent. This has the potential to be multiple months.
- If there is a shortfall in project funding compared to the current project estimate, then how this shortfall is proposed to be addressed should be confirmed. If Value Engineering is proposed, then this should be added to the programme. [redacted] 9(2)(j)

Trade-Offs:

- [redacted] 9(2)(j)

Infrastructure Expertise (Capacity/Capability) to Deliver:

- [redacted] 9(2)(g)(i)
- We did not interview the consultant team, [redacted] 9(2)(g)(i)
- We understand that the Project Management consultant (RCP) has agreed to replace its project manager for the construction phase; however, the proposed individual has yet to be confirmed. It will be important that new PM comes up to speed with the project quickly as this is a pivotal role in the delivery between the client and the contractor.
- Based on only a single one hour interview, and on the quality of the management documentation provided, we are concerned that the local team and its external consultant team may not have the capacity and/or capability to deliver the project on time and on budget. It is not clear what the specifics issues are or their causes, but it is possible that corrective action may be required.
- We stress that this assessment is based on limited information.

Recommended Actions:

It is recommended that:

- That a genuine 'Project Health Check' be conducted on the Project to confirm if and where corrective action is required.
- [redacted] 9(2)(j)
- If there are any further delays to the approval of the earthworks consent, then this issue is escalated as required to determine the hold up.

Documents Reviewed and Interviews:

Desktop review of <u>key</u> project documentation (including but not limited to):

- Business Case (v43) - Dec 2019
- Budget Approvals – Nov and Dec 2021

- Project Execution Plan (v1) – Apr 2021
- Cost estimates update – June 2022
- Project Programme – May 2022
- Various Assurance Reports – April to July 2022
- Risk Register – Feb 2022
- Steering Group Terms of Reference

Key documentation not sighted and therefore not reviewed:

- Procurement Strategy
- Project Execution Plan (complete)

Interviews with the following:

- [redacted]
- [redacted]
- [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• **Whakatāne**: New build of a 10-bed mental health and addiction service facility in single stage Business Case phase with $15 million allocated in Crown funding. Business Case identifies planned completion for July 2024. Investment and Infrastructure Unit has Level 2 intervention applied.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• **Māori are involved in the governance of the project by…** • A governance board which is being set up which will have a District Māori Health Exec representative. The Iwi Partnership board is still being established. This area requires focus from the steering group over the next 3 months. • **Māori view is included in the design on the project by…** • The Toi Ora document which captures the cultural approach which is applied to all projects. There are also facilitated workshops during the feasibility/concept design stages for the project story board and a design brief for Māori and other cultural groups was developed and documented. This was then shared back to the groups for endorsement. The Whakatane design has been particularly responsive to the Māori-lead goals defined in the brief and preliminary design has incorporated a meeting house entry. • **Specific social procurement initiatives for Māori include…** • The project expects to follow the government Broader Outcomes for procurement which encourages the creation of opportunities for Māori businesses and skill development. There is a certain expectation based on past experience that the local construction market will struggle to demonstrate their ability to support initiatives of this nature.
Project Assurance: • Time • Budget • Scope/Other
District Overview • As part of Budget 2019, $45 million was allocated to The Bay of Plenty District Health Board (the District to upgrade its two mental health and addictions acute inpatient units: Te Toki Maurere in

Whakatāne ($15 million) and Te Whare Maiangiangi in Tauranga ($30 million). Both investments were subject to Business Case approval.

- [redacted] 9(2)(j)
- The District was then instructed to utilise the $45m approved budget to address Health and Safety (H&S) issues with the current Tauranga mental health facility. Accordingly, a Business Case was submitted for approximately [redacted] of H&S related upgrades to the Tauranga facility (May 2022). This remains unapproved. 9(2)(j)
- Recently, the District has been asked to submit two new Business Cases (for Tauranga and Whakatāne) under urgency (expected in November 2022).

Time

- The Whakatāne Project appears relatively well developed in its Business Case phase. The programme in the Business Case does not appear relevant as time has passed since this was prepared. The key factor to success will be completing and approving the Business Case (or a revised Business Case) to allow the works to commence.
- Once the Business Case is approved, a detailed programme will be developed that includes the design and construction as well as decision making and contingency timeframes, and at that point completion dates can be confirmed.
- Decision making around the Business Case appears to be linked to the Tauranga Project. We understand that the scope of the Whakatāne Project seems to be relatively well accepted and so there is a risk that by linking the decision making for the two projects could delay either or both.

Budget

- In 2019 the Business Case budget for the project was $15m. This was based on a low level of information. [redacted] 9(2)(j)
- No information has been provided on the budget for this project other than that noted above. It appears from conversations that the budget has now been well thought through and includes consideration of the initial design scheme and engagement with stakeholders (noting that further consideration of the Model of Care is required).

Scope/Other

- The District is confident that the scope of the project is aligned with the budget.
- It is understood that the clinical services plan and engagement with iwi has been undertaken already. Provided this work is thorough, this stands the project in good stead to commence once the Business Case is approved.

Acceleration Opportunities: [if any]

- There is a key dependency in this project of relocating existing portable buildings, relocation of services and ground improvement. [redacted] 9(2)(j) If these works were to be approved early ahead of the Business Case approval, this would allow this work to be removed from the critical path.
- As above, it is understood that the District has been asked to submit revised Business Cases for both Tauranga and Whakatāne and that decision making around both Cases will be linked. Whilst noting there is a clinical services link between the buildings, it appears the Whakatāne Project is much closer to being ready to start as opposed to Tauranga. Allowing this Business Case to be submitted and approved in isolation presents an acceleration opportunity (or at least an opportunity to de-risk further delay to the Whakatāne Project)..
- Provide adequate delegation to the Project Director or suitable senior person to make project decisions in order to maintain progress.

Trade-Offs:

- Approving the enabling works early commits the team to building the building at that location. There is a risk that once the job is fully designed that it may cost more than allowed for in the Business Case.
- There does not appear to be any trade-offs with submitting or considering the Whakatāne Business Case in isolation (from the Tauranga Business Case),but doing so could expedite the Whakatāne Project.
- Providing adequate delegation provides risk that the capital expenditure is held at a lower level. It is noted however that this will make for a more streamlined project provided it is done well.

Recommended Actions:

It is recommended that:

- The approval of the Business Case for Whakatāne is de-linked from approval of the revised Business Case for Tauranga).
- Approve the early works ahead of approval of the Business Case.

Infrastructure Expertise (Capacity/Capability) to Deliver:

- It appears that the current team in the former Bay of Plenty DHB have a significant workload noting there is a new regional hospital for Tauranga being planned. With this in mind, it appears that the team has the capacity to deliver this project with external project management assistance.
- [redacted] 9(2)(g)(i)

Documents Reviewed and Interviews:

Desktop review of key project documentation (including but not limited to):

- Single Stage Business Case – Sept 2021
- Assurance reports – June 2022

Key documentation not sighted or reviewed:

- Project Programme
- Project Execution Plan

Interviews with the following:

- [redacted]
- [redacted] 9(2)(a)

Delivery Plan Template

MHIP Deep Dive Delivery Plan/Action Plan

Revision: R1

Date: 28 September 2022

Project Name/Description:
• West Coast: New build to provide modern environment in post approval design phase with $20 million in Crown funding allocated. Infrastructure and Investment Unit has no intervention level applied to this project.
Project Review Methodology: i.) 'what was done' ii.) 'what was not covered'
• Desktop review of key project documentation. • Interviews with key client-side personnel and project consultants. • Please refer to the final section of this report for details.
Māori Engagement Findings:
• Specific questions regarding Māori engagement were not asked of the Project.
Project Assurance: • Time • Budget • Scope/Other
Context: • A single stage Business Case was prepared in September 2021 requesting circa $20m of funding to replace the mental health and addictions facility at Grey Base Hospital. An earlier Business Case and/or option for the refurbishment of an existing building was deemed to be unaffordable. The Business Case was approved by Joint Ministers in December 2021. **Time** • We understand that a project programme is currently being prepared. We therefore only have the programme dates/milestones included in the Business Case and recent Assurance Reports to review. In summary, the dates and durations in the Business Case and referred to in Assurance Reports appear overly optimistic and unachievable. • The Assurance Report (July 2022) suggests that an Implementation Business Case (IBC) will follow Detailed Design some 10 months earlier than main contractor procurement. This seems to be at odds with our understanding of the requirements of an IBC and the timing of approvals etc. • We understand that a consultant team has been procured. The Assurance Reports suggests that 7-8 months has been allowed for Preliminary Design through to Detailed Design. Other parts of the Assurance Report suggest that Concept Design may also be required. This is 7-8 months and seems overly optimistic and unachievable.

- It appears that only one month has been allowed for contractor procurement at the completion of Detailed Design. This appears very optimistic and unlikely to allow for approvals involving Te Whatu Ora, or any IBC consideration/approval.
- The Assurance Report suggests that the model of care/clinical requirements and user engagement will be developed in parallel with design activities. This seems to be a risk, particularly noting the aggressive nature of the design programme and noting lessons learned from other mental health projects.
- [redacted] 9(2)(j)

Budget

- This project was a shovel ready project with an initial approval of $15m announced by the Government. Investigation into the current preferred solution (new build) has the approved Business Case scope estimated at circa $20m.
- [redacted] 9(2)(j)

Scope/Other

- There is engagement between Ōtākaro and Te Whatu Ora regarding the governance and management structure of the project. We understand that Otakaro is being considered to deliver the Project on behalf of Te Whatu Ora. We are unclear on the status of this decision, but this need to be resolved to really progress with purpose. The resolution of this will need to consider Iwi engagement in the region.

Acceleration Opportunities: [if any]

- We do not believe that there are any acceleration opportunities, rather that there are considerable programme risks.

Trade-Offs:

- Not applicable.

Recommended Actions:

It is recommended that:

- Provide clarity on the expectation and engagement model between Ōtākaro and Te Whatu Ora. Roles and Responsibilities should be defined, and Delegated Authorities confirmed.
- The programme appears overly optimistic and should be revisited and confirmed. Take learnings from other mental health projects regarding standard fixtures and fittings etc.
- Review and re-baseline the programme with the engagement of the design and user group teams. Likely this should be done at the end of concept design as by this stage the client brief and design should have a set direction.
- [redacted] 9(2)(j)

Infrastructure Expertise (Capacity/Capability) to Deliver:

- The proposed delivery model is unclear (i.e. Ōtākaro or Te Whatu Ora) and so we are unable to assess the capability and/or capacity to deliver the project.

• We are not aware of Ōtākaro having delivered a project outside Christchurch and we are not aware of any resources that Ōtākaro may have located on the West Coast.
Documents Reviewed and Interviews:
Desktop review of <u>key</u> project documentation (including but not limited to): • Single Stage Business Case – September 2021 • Assurance reports – April to July 2022 **<u>Key</u> documentation not sighted and therefore not reviewed:** • Project Brief • Project Programme • Confirmed governance/delivery model • Procurement Strategy **Interviews with the following:** • [redacted] • [redacted] • [redacted] 9(2)(a)