

Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation
Minister for Racing



17 AUG 2021

Matthew Hooton
fyi-request-15874-41cb64f1@requests.fyi.org.nz

Dear Matthew

Thank you for your Official Information Act request, received on 23 June 2021. You requested:

In your 2019 “wellbeing” budget, you announced \$1.9 billion in extra spending on mental health.

Under the OIA, I request all written reports you have received since then from Treasury on the allocation, expenditure, efficacy and outcomes, and efficiency of this spending.

Your request was extended by 20 days on 16 July 2021.

As you may be aware, the Implementation Unit that the Prime Minister asked me to lead has undertaken a mid-term assessment of the 2019 Mental Health package. This will shortly be released.

Information being released

Please find the following documents enclosed below:

Item	Date	Document Description	Decision
1	September 2019	Joint Report T2019/2097: Prioritisation of health capital projects from Budget 2019 appropriation	Released in part
2	December 2019	Joint Report T2019/3829: Request for Approval – Waitematā DHB's Tranche One Mason Clinic Redevelopment	Released in part
3	June 2020	Joint Report T2020/2131: Hauora Tairāwhiti Mental Health Single Stage Business Case	Released in part
4	July 2020	Joint Report T2020/2489: Lakes DHB Mental Health Unit Single Stage Business Case	Released in part
5	July 2020	Joint Report T2020/2591: Mid Central DHB Mental Health Unit Single Stage Business Case	Released in part
6	December 2020	Joint Report T2020/3101: Waikato DHB Mental Health & Addiction Service Acute Adult Inpatient Facility Redevelopment Indicative Business Case	Released in part

7	28 November 2019	Budget 2020 Bilateral: Delivering on Budget 2019 Commitments – Excerpt on Mental Health	Released in part
8	19 January 2020	March 2020 Baseline Update Submission for Vote Health (relevant excerpt)	Released in part
9	27 October 2020	October 2020 Baseline Update Submission for Vote Health (relevant excerpts)	Released in part
10	22 February 2021	March 2021 Baseline Update Submission for Vote Health (relevant excerpts)	Released in part

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- section 9(2)(a) – protect the privacy of natural persons, including that of deceased natural persons,
- section 9(2)(f)(iv) – maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials,
- section 9(2)(g)(i) – the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty,
- section 9(2)(g)(ii) – the protection of such Ministers, members of organisations, officers, and employees from improper pressure or harassment,
- section 9(2)(i) – to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities,
- section 9(2)(j) – to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations),
- section 9(2)(k) – prevent the disclosure or use of official information for improper gain or improper advantage.

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

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

Information to be withheld

There are additional documents covered by your request listed in the table below that I have decided to withhold in full under the following sections of the Official Information Act, as applicable:

- section 9(2)(g)(i) – the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty,

- section (9)(2)(j) – to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

Item	Date	Document Description
1.	25 June 2020	Ministers of Health and Finance – Monthly Health ‘check-up’
2.	30 July 2020	Ministers of Health and Finance – Monthly Health ‘check-up’
3.	15 March 2021	Ministers of Health and Finance – Monthly Health ‘check-up’
4.	27 April 2021	Ministers of Health and Finance – Monthly Health ‘check-up’
5.	24 May 2021	Ministers of Health and Finance – Monthly Health ‘check-up’
6.	28 June 2021	Ministers of Health and Finance – Monthly Health ‘check-up’

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

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

Yours sincerely



Hon Grant Robertson
Minister of Finance

Table of Contents

1.	<u>Joint Report T2019/2097: Prioritisation of health capital projects from Budget 2019 appropriation</u>	1
2.	<u>Joint Report T2019/3829: Request for Approval - Waitematā DHB Tranche One Mason Clinic Redevelopment</u>	14
3.	<u>Joint Report T2020/2131: Hauora Tairāwhiti Mental Health Single Stage Business Case</u>	25
4.	<u>Joint Report T2020/2489: Lakes DHB Mental Health Unit Single Stage Business Case</u>	38
5.	<u>Joint Report T2020/2591: MidCentral District Health Board Mental Health Unit Single Stage Business Case</u>	50
6.	<u>Joint Report T2020/3101: Waikato DHB Health & Addiction Service Acute Adult Inpatient Facility Redevelopment Indicative Business Case</u>	62
7.	<u>Budget 2020 Bilateral: Delivering on Budget 2019 Commitments – Excerpt on Mental Health</u>	72
8.	<u>March 2020 Baseline Update Submission for Vote Health (relevant excerpt)</u>	76
9.	<u>March 2021 Baseline Update Submission for Vote Health (relevant excerpts)</u>	77
10.	<u>October 2020 Baseline Update Submission for Vote Health (relevant excerpts)</u>	80

Health Report

Prioritisation of health capital projects from Budget 2019 appropriation

Date due to MO:	N/A	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	20191183
To:	Hon Grant Robertson, Minister of Finance Hon Dr David Clark, Minister of Health		

Contact for telephone discussion

Name	Position	Telephone
Mhairi McHugh	Manager, Capital Investment Management	s9(2)(g)(ii)
Jo Strachan-Hope	Principal Advisor, Capital Investment Management	
Filipo Katavake-McGrath	Senior Analyst, The Treasury	s9(2)(k)

Action for Private Secretaries

Return the signed report to the Ministry of Health and Treasury.

Date dispatched to MO:

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out of scope

Category A Projects

Region/DHB	Project	Indicative Funding \$m	Specific contingency \$m
out of scope			
Waitemata	Mason Clinic - Tranche 1a	60.0	
out of scope			
Waikato	Adult Mental Health Facility - Tranche 1	100.0	
Lakes	Mauri Ora – Mental Health & Addiction Services Facility	25.0	
out of scope			
Tairāwhiti	Mental health - Inpatient Care and Stepdown Unit	20.0	
out of scope			
Midcentral	Acute Adult Mental Health Facility	*30	
out of scope			

*Recommended maximum Crown funding amount

Amounts shown to one decimal place.



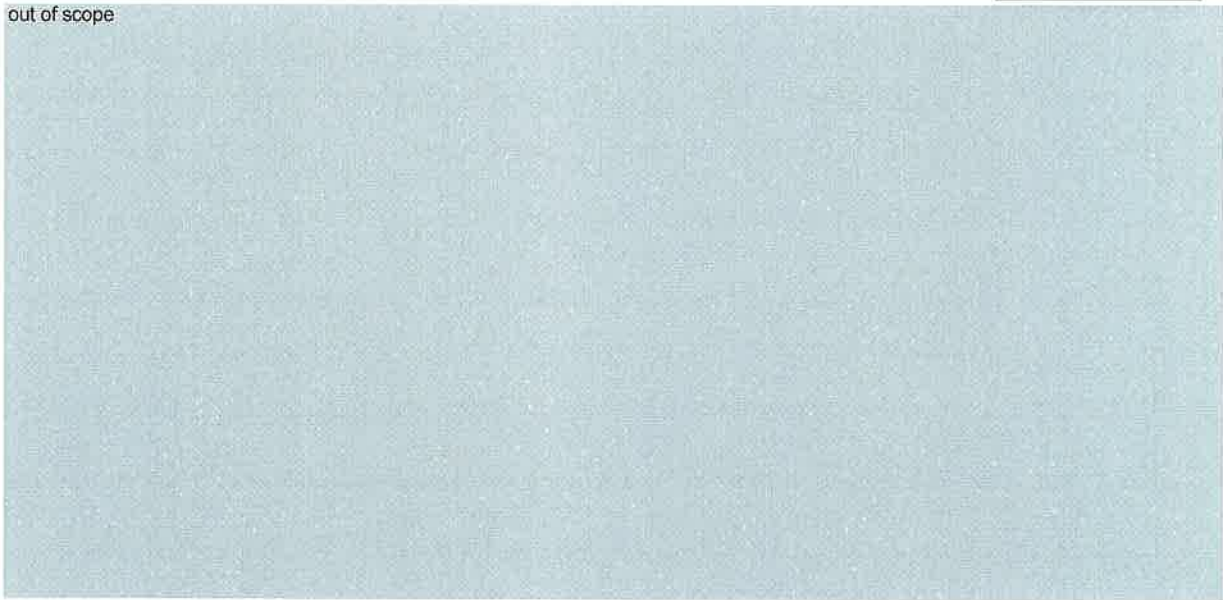
- d) **Note** the Tairāwhiti DHB *Mental Health – Inpatient Care and Stepdown Unit* project was announced as part of Budget 2019 communications.

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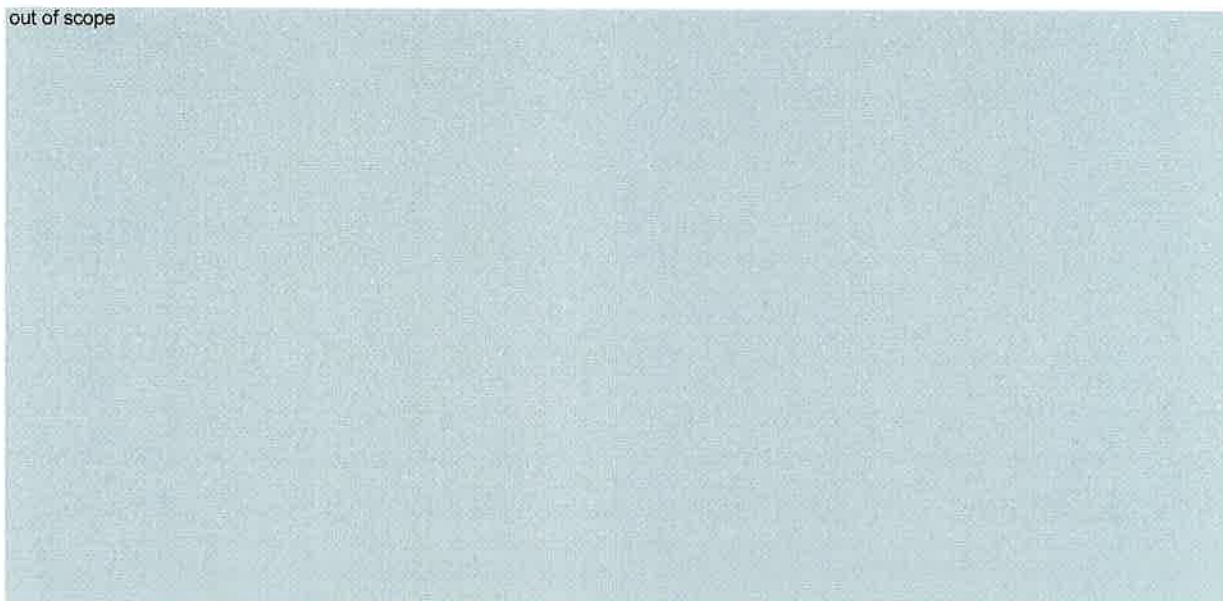
Categories for investment

22. Budget 2018 provided a significant increase in capital investment for health. However, it will take a number of years to address the current state of the estate. The approach for Budget 2019 continues the focus on risk management. Projects were assessed against the same categories that were used for Budget 2018 prioritisation and the indicative prioritisation for Budget 2019 or 2020. These categories are:

- a. Mental health facilities

Many mental health facilities are not fit for purpose and do not support the provision of quality mental health services. There are also capacity issues, with facilities at or exceeding current capacity

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Section 3(ii) Mental Health Projects

45. Table Three (overleaf) summarises the CIC's recommendations for mental health projects.
46. The decision making for this category of decision making was informed by risk assessments and other relevant information from:
- the preliminary NAMP assessments
 - discussions with the Director of Mental Health, and
 - discussions with the Ombudsman's Chief Inspectors and their colleagues regarding concerns over physical facilities.
47. All of the signalled projects are deemed to be required. This reflects the pipeline of investment needed to address mental health facilities that are not fit for purpose and / or where additional capacity is required.
48. The projects prioritised by the CIC were assessed as high needs projects where there was also confidence that an investment ready business case would be prepared within the time period. Points to note are:
- The proposals from Waitemata DHB and Waikato DHB have both been phased to fit within available funding (the initial requests were for \$160 million and \$118 - \$208 million respectively)
 - The Tairāwhiti DHB proposal has already been announced as part of Budget 2019. The Ministry will work with Tairāwhiti DHB to progress this project. We will provide separate advice on the form of this support

out of scope



49. As part of the Budget 2019 announcement \$200 million for mental health facilities was announced. These projects need to be funded from the HCE. The CIC's prioritisation recommendations slightly exceed this (\$235 million).

Table Three: Mental health projects

Projects recommended for approval (Category A)						
DHB / Region	Project	Description	DHB request \$m	Recommended prioritised amount \$m	Rationale for prioritisation outcome	Category
Waitemata	Mason Clinic - Tranche 1a	One replacement unit (30 beds total) as part of the redevelopment at the Mason Forensic Clinic.	160	60	Critical national and supra-regional provider, and priority for investment. However, recommendation is for a phased approach to fit within available funding.	A
Waikato	Adult Mental Health Facility Tranche 1	Replacement of the Acute Adult Mental Health facility - Henry Rongomau Bennett Centre - which is not fit for purpose, and presents service user and staff / clinical risk. Tranche one of an overall programme.	118	100	Critical regional and local provider, and priority for investment. This project will address clinical fit for purpose and urgent capacity issues for adult acute mental health. This project will also enable future forensic capacity (through the repurposed existing facility). However, a phased approach is recommended due to the complexity of, and further planning required for, the larger project.	A
Lakes	Mau Ora - Mental Health & Addiction Services Facilities Redevelopment	Replacement and capacity expansion of current mental health facility due to age (40+ years), life-expired (eg water ingress, electrical infrastructure issues) and clinically inappropriate and too small.	25	25	Project will be investment ready and addresses known building and clinical critical issues.	A
Tairāwhiti	Mental health - inpatient care - Te Whare Awhiora	Redevelopment of existing poor condition mental health facility and expansion of service to provide step-down capacity, which will be used for alcohol and drug addiction services.	20	20	Government support, and a high needs population and poor quality existing facility needs replacing.	A
Midcentral	Acute Adult Mental Health Facility	Refurbishment/expansion or a new build is required of the existing MidCentral Acute Adult Mental Health facility to address facilities that are detrimental and not fit for purpose. The current facilities were identified in a review of suicides as being deficient.	30	30	This unit is not fit for purpose and needs to be replaced.	A

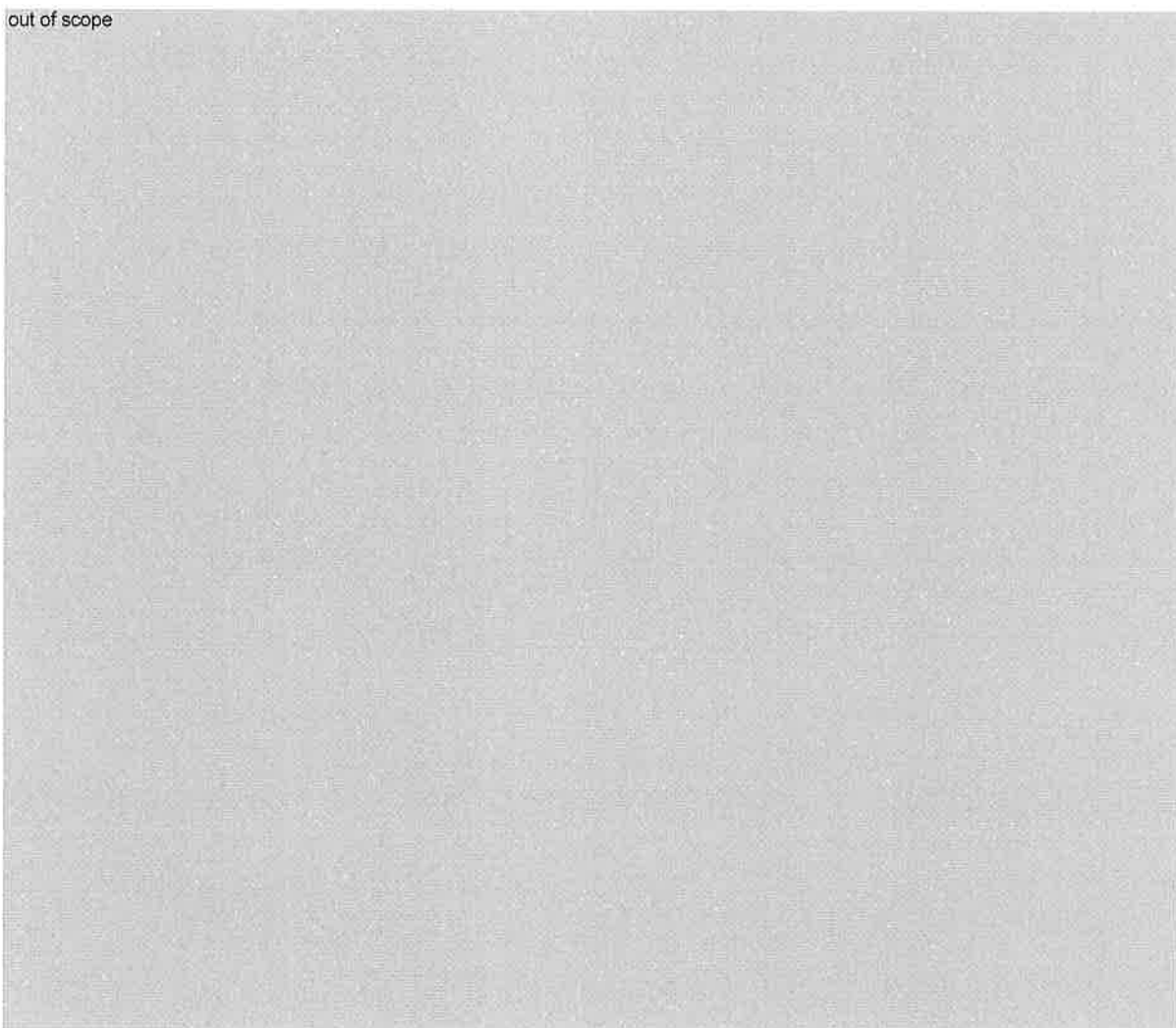
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Waitemata DHB (WDHB)

out of scope

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Mason Clinic – Tranche 1A

100. WDHB requested \$160 million for 60 replacement beds, car-parking and enabling works at the Mason Clinic. The indicatively prioritised amount for this project was \$60 million.
101. The CIC recommend prioritising \$60 million, for 30 replacement beds and enabling works. The need to replace existing facilities at Mason is accepted, as the current facilities are in poor condition. WDHB is in the process of acquiring land from the Ministry for Housing and Urban Development (MHUD) for the expansion of the Mason Clinic. The sale and purchase of the additional land is now unconditional, with settlement expected at the end of July 2019. The additional land provides an opportunity for a revised site masterplan, and sufficient decanting space to enable construction.



- 102. WDHB’s proposal involves construction on the soon to be acquired land. WDHB has advised that they anticipate a consenting period of approximately 12 months, following agreement to the site masterplan. The exact timelines will be confirmed over the following months when WDHB will be engaging with MHUD and Auckland City Council. Given the nature of the redevelopment, there is a high likelihood of an extended consenting period.
- 103. The current draft Site Master Plan has not been agreed by the Ministry.
- 104. On the basis of the uncertainty over the timing of completion of the work, and the pressure on funding, the \$60 million proposal is considered most appropriate. Note that the development at the Mason Clinic is replacement only, as service users will be decanted from existing facilities, and these will be demolished to allow for future site development. The Ministry will work with WDHB to identify any feasible options to retain capacity in the medium term, given the pressure on forensic capacity.

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Waikato DHB (WDHB)

Adult Mental Health Facility – Tranche 1

148. WDHB requested funding of up to \$118 million for a mental health facility.
149. The current facility is considered unsafe for clinical delivery. WDHB's proposal involves construction of a new acute mental health facility with additional capacity. As a separate project in the programme (subject to separate approval and funding in future years), the vacated space will be refurbished to provide forensic capacity.
150. s9(2)(f)(iv) [REDACTED]
151. The CIC support the proposal, but at this stage recommend reserving funds of \$100 million. Based on previous mental health projects (per bed and GFA), this project would be expected to be delivered within this amount. However, there is some risk associated with the ground conditions for the proposed location.
152. There is a significant amount of work required by WDHB for the service and site planning to support this investment. The Ministry will continue to work closely with the DHB to ensure that progress is maintained.

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Lakes DHB (LDHB)

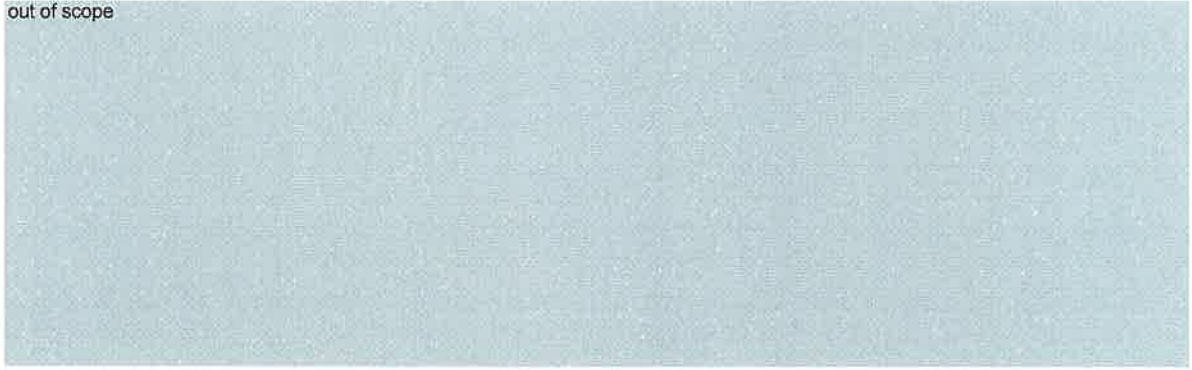
Mauri Ora – Mental Health and Addiction Services Facilities Redevelopment

168. LDHB has requested \$25-35 million for replacement of the current mental health unit, and a community hub.
169. The current facility has building condition issues (such as roof leaks) and is not fit for purpose. LDHB has a high need population.
170. The preliminary NAMP information, and feedback from the Ombudsman and Director of Mental Health all support a need for investment to remediate this facility.
171. The CIC recommends that this project be prioritised for investment, with an expected budget of \$25 million. This figure is considered sufficient based on cost comparisons (per bed and GFA), and make allowance for the community hub component.
172. LDHB is currently preparing a single stage business case for this investment.



Tairawhiti DHB

out of scope



Dual mental health and addictions unit

175. The Government has announced an investment in a mental health and addiction unit at TDHB. The unit will be a pilot of a new model of care, combining mental health and addictions services on the same site. The cost of \$15 – 20 million has been identified.
176. The CIC support the prioritisation of this project.
177. The current facility is in poor repair and is not clinically fit for purpose (as evidenced by the NAMP feedback, mental health directorate feedback and ombudsman reports).
178. The current proposal is at a conceptual stage only, but initial indications are that the project will deliver a 12-bed inpatient unit (based on current capacity, demand growth, and repatriation of at least some of the activity catered for in three beds at CCDHB) and a four bed (individual unit) step down facility.
179. Officials consider that this will be able to be achieved within the \$15 – 20m budget. At this stage we recommend reserving \$20 million for this project.
180. The Ministry will work with TDHB to ensure this project is investment ready during the Budget period.

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MidCentral DHB (MCDHB)

Acute Adult Mental Health Facility

188. MCDHB requested \$30 million for the refurbishment or replacement of the current mental health facility. The current facility is not fit for purpose and has been identified as deficient during a review of suicides.
189. The preliminary NAMP information, and feedback from the Ombudsman and Director of Mental Health all support a need for investment to remediate this facility.
190. The CIC recommend \$25 - 30 million be prioritised for this project, based on similar costings for mental health facilities (per bed and GFA).

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Table Three: Mental health projects

Projects recommended for approval (Category A)								
DHB / Region	Project	Description	DHB request \$m	Recommended prioritised amount \$m	Rationale for prioritisation outcome	Category	Is this what DHB requested?	CIC recommendation for approach
Waitemata	Mason Clinic - Tranche 1a	One replacement unit (30 beds total) as part of the redevelopment at the Mason Forensic Clinic.	160	60	Critical national and supra-regional provider, and priority for investment. However, recommendation is for a phased approach to fit within available funding.	A	No, \$60m is sufficient for one unit but DHB had requested \$160m to complete two units and carparking and other enabling works.	This project is dependent on a satisfactory site masterplan.
Waikato	Adult Mental Health Facility - Tranche 1	Replacement of the Acute Adult Mental Health facility - Henry Rongomau Bennett Centre - which is not fit for purpose, and presents service user and staff / clinical risk. Tranche one of an overall programme.	118	100	Critical regional and local provider, and priority for investment. This project will address clinical fit for purpose and urgent capacity issues for adult acute mental health. This project will also enable future forensic capacity (through the repurposed existing facility). However, a phased approach is recommended due to the complexity of, and further planning required for, the larger project.	A	No, DHB had requested \$118m.	DHB to be asked to develop a proposal for \$100m (based on expected costing for proposed capacity).
Lakes	Mauri Ora – Mental Health & Addiction Services Facilities Redevelopment	Replacement and capacity expansion of current mental health facility due to age (40+ years), life-expired (eg water ingress, electrical infrastructure issues) and clinically inappropriate and too small.	25	25	Project will be investment ready and addresses known building and clinical critical issues.	A	DHB had signalled \$25 - 35m cost. Approved amount assumes the lower number based on cost comparisons.	\$25m to be set aside (based on expected costing for proposed capacity and anticipated community hub).
Tairāwhiti	Mental health - inpatient care - Te Whare Awhiora	Redevelopment of existing poor condition mental health facility and expansion of service to provide step-down capacity, which will be used for alcohol and drug addiction services.	20	20	Government support, and a high needs population and poor quality existing facility needs replacing.	A	No, scope is wider and budget higher than original DHB proposal, based on Government announcement.	Maintain publicly announced budget of \$15-20m. TDHB will require significant support to produce an investment ready business case. Ministry to advise approach.
MidCentral	Acute Adult Mental Health Facility	Returbishment/expansion of a new build is required of the existing MidCentral Acute Adult Mental Health facility to address facilities that are detrimental and not fit for purpose. The current facilities were identified in a review of suicides as being deficient.	30	30	This unit is not fit for purpose and needs to be replaced.	A	Yes	DHB to be advised of a budget of \$25-30m (based on expected costing for proposed capacity).



Joint Report

Request for Approval – Waitematā DHB's Tranche One Mason Clinic Redevelopment

Date due to MO:	N/A	Action required by:	9 December 2019
Security level:	IN CONFIDENCE	Health Report number	20192130
		Treasury Report number	T2019/3829

To: Hon Dr David Clark, Minister of Health
Hon Grant Robertson, Minister of Finance

Contact for telephone discussion

Name	Position	Telephone
Helene Carbonatto	Group Manager, Capital Investment Management	s9(2)(g)(ii)
Jo Strachan-Hope	Manager, Investment Strategy	
Filipo Katavake-McGrath	Senior Analyst, Vote Health, The Treasury	s9(2)(k)

Action for Private Secretaries

Return the signed report to the Ministry of Health and Treasury.

Date dispatched to MO:



Sign and send the letter attached as Appendix One to the DHB.

Request for approval - Waitematā DHB Tranche One Mason Clinic Redevelopment

Purpose of report

This report seeks your approval for Waitematā DHB's (WDHB's) Tranche One Business Case to redevelop its Mason Clinic facilities, with a total budget of \$60 million, to be funded by a Crown equity injection.

Key points

- WDHB's Tranche One Business Case to redevelop Mason Clinic facilities presents two options.
 - Option 1: Fully implement Tranche One at an estimated cost of \$205 million. This involves replacing 60 of the existing 121 forensic beds by building two new 30-bed inpatient buildings, building a three-storey shared activity and clinical support building, permanent new access and parking, and the start of secured courtyards.
 - Option 2: Involves progressing part of Tranche One at an estimated cost of \$60 million. It will enable WDHB to build:
 - one 30-bed inpatient building containing two 15-bed units, one on each of the first two floors, and plant and administrative spaces on a third floor
 - a small amount of shared activity and support spaces adjacent to this new building
 - a temporary secure building entry and temporary internal road extension.
- Joint Ministers prioritised funding of \$60 million for this project from the Budget 2019 appropriation (HR20191183 and T2019/2097 refers).
- The Capital Investment Committee (CIC) has considered WDHB's Tranche One Business Case and recommends you approve \$60 million to enable the DHB to proceed with Option 2.
- WDHB's Business Case notes that if Option 2 is supported, it will defer the balance of Tranche One (eg, the second 30-bed inpatient building and the shared activity and clinical support building) to Tranche Two of the Mason Clinic redevelopment, an approach that will require it to review its Programme Business Case (PBC).
- WDHB's current PBC for redeveloping and expanding the Mason Clinic site proposes:



- replacing 60 of the existing 121 forensic beds by mid-2023 (Tranche One)
- increasing the site's capacity to 198 forensic beds by 2026 (Tranche Two)
- increasing the site's capacity to 246 forensic beds by 2037 (Tranche Three).

Recommendations

Officials from the Ministry and the Treasury recommend that you:

	Minister of Health	Minister of Finance
a) approve Option 2 as detailed in Waitematā DHB's Tranche One Business Case to redevelop its Mason Clinic facilities, requiring an investment of \$60 million	Yes/No	Yes/No
b) agree to release \$60 million from the Equity for Capital Projects for DHBs and Other Crown Sector Agencies appropriation.	Yes/No	Yes/No
c) sign the letter of approval attached as Appendix One and forward it to Waitematā DHB.	Yes/No	

Michelle Arrowsmith
Deputy Director-General
**DHB Performance, Support and
Infrastructure**

Hon Dr David Clark
Minister of Health
Date:

Jess Hewat
Manager
Health and ACC
The Treasury

Hon Grant Robertson
Minister of Finance
Date:



Request for approval - Waitematā DHB

Tranche One Mason Clinic Redevelopment

Background

1. Waitematā DHB (WDHB) provides forensic inpatient mental health services at the Mason Clinic in Point Chevalier, Auckland to residents of the Northern Region and forensic intellectual disability mental health services for those north of Taupo.
2. There are three key drivers for investing in the Mason Clinic's inpatient facilities.
 - a. Building deficiencies are putting patient and staff safety and service continuity at risk.
 - b. Service capacity is insufficient to meet future demand.
 - c. Facility design does not meet service requirements or support contemporary models of care.
3. Four existing inpatient units on the Mason Clinic site suffer from significant weather tightness and leaky building issues, to the point they are at risk of developing Stachybotrys fungus in some wall cavities. While WDHB is managing these building issues, there is a sense of urgency to replace these buildings to mitigate risks for patients and staff.
4. The current facilities are at capacity. The opening of the 15-bed Tanekaha unit in late 2020 will provide replacement minimum secure forensic beds, it will allow patients to be repatriated from other locations and bring the service's total capacity to 121 beds. WDHB estimates that by 2049, the Mason Clinic will require 259 inpatient beds in order to meet projected demand from across the Northern region.
5. The design and configuration of existing facilities present various challenges for patients and staff including:
 - a. insufficient rooms for assessment, treatment and rehabilitation activities
 - b. larger rooms with natural light are needed for long-term residents
 - c. units providing related services are not clustered together
 - d. units need to be able to provide safe provision of care for high-security patients
 - e. communal ablution blocks increase staffing requirements.

Programme Business Case

6. There is no alternative facility that provides forensic mental health services in the Northern Region. Any closure of the Mason Clinic's inpatient units due to patient and



staff safety concerns would require patients to be transferred back to prison, to hospitals, other mental health facilities and into the community.

7. Closing any of the four existing inpatient units on the Mason Clinic site without first having established replacement beds would compromise WDHB's ability to continue delivering forensic mental health services on behalf of the region.
8. WDHB's Programme Business Case (PBC) was endorsed by CIC in August 2019. It proposes redeveloping and expanding the Mason Clinic site over the next 20 years, with this work involving three separate tranches (Table One).

Table One: WDHB's Programme Business Case for Mason Clinic Redevelopment

Tranche	Timing	Scope
Tranche 1	Mid 2023	<ul style="list-style-type: none"> • Replace 60 of the 121 existing forensic inpatient beds. • Build two new 30-bed inpatient buildings with shared activity and support buildings. • Projected Cost = \$205 million. • No additional capacity (121 beds in total).
Tranche 2	Early 2026	<ul style="list-style-type: none"> • Demolish four existing inpatient facilities that are failing. • 77 extra beds, being a mix of high and complex adult beds, forensic intellectual disability beds, youth forensic beds and step-down beds (198 beds in total).
Tranche 3	2037	<ul style="list-style-type: none"> • Modelling of regional demand suggests a further 48 beds may be needed by 2037 (246 beds in total).

Mason Clinic Redevelopment Tranche One Business Case

9. Following consideration of WDHB's PBC, Ministry and Treasury officials discussed the need for WDHB to manage the first part of the Mason Clinic redevelopment within the Joint Ministers' prioritised funding allocation of \$60 million from the Budget 2019 appropriation (HR20191183 and T2019/2097 refers).
10. As a result, WDHB has presented two options as part of its Tranche One Business Case to redevelop the Mason Clinic site.
 - a. Option 1: Fully implement Tranche One at an estimated cost of \$205 million. This involves replacing 60 of the existing 121 forensic beds by building two new 30-bed inpatient buildings, developing a three-storey shared activity and clinical support building, permanent new access and parking, and the start of secured courtyards.
 - b. Option 2: Progress part of Tranche One at an estimated cost of \$60 million. This involves replacing 30 existing inpatient beds and development of some temporary support spaces.



Request: Option 2, Tranche One of the Mason Clinic Redevelopment

11. WDHB's Tranche One Mason Clinic Business Case was considered by CIC in October 2019 and as a result, it recommends Option 2 involving an investment of \$60 million be supported. Option 2 will enable construction of:
 - a. a 30-bed inpatient building on the northern block of land acquired from the Ministry of Housing and Urban Development; with this building containing two 15-bed units, one on each of the first two floors, and plant and administrative spaces on a third floor
 - b. a small amount of shared activity and support spaces adjacent to this new building
 - c. a temporary secure building entry and temporary internal road extension.
12. One of the two 15-bed inpatient units will be minimum security and the other medium security.
13. This would leave construction of a second 30-bed inpatient building, a three-storey shared activity and support building, access and car parking, and the start of the central secure garden for a subsequent stage.

Procurement, Management and Commercial Case

14. WDHB's preferred procurement approach is a traditional design bid build model for the project as it has successfully used this approach for its Elective Capacity and Inpatient Beds (ECIB) project.
15. WDHB is currently managing other capital projects at the Mason Clinic (eg, Tanekaha replacement) and it plans to progress Tranche One of the Mason Clinic Redevelopment under this same project management structure.
16. WDHB's Tranche One Business Case indicates that if Option 2 is supported, it will defer the balance of Tranche One (eg, the second 30-bed inpatient building and shared activity and clinical support building) to Tranche Two of the Mason Clinic redevelopment programme.

17. s9(2)(f)(iv)

18.

19.



Financial Case

20. As part of its Business Case, WDHB has provided a high-level breakdown of the projected capital costs associated with the two options (Appendix Two). Option 1 is projected to cost \$204.5 million and Option 2 is projected to cost \$60.1 million, with these projections including construction and project contingencies of 10 percent.
21. As neither option will increase the total bed capacity of the forensic service, WDHB does not expect annual operating costs will increase as a result of this investment. In fact, WDHB estimates that under Option 1, commissioning two new 30-bed inpatient building will reduce annual operating costs by \$6 million due to service delivery efficiencies, and reduced energy and maintenance costs. Under Option 2, WDHB estimates it will achieve a reduction in ongoing operating costs of \$3 million per annum due to these efficiencies.
22. Joint Ministers have prioritised Crown equity funding of \$60 million towards this project from Budget 2019 (HR20191183 and T2019/2097 refers).

Land Issues

23. WDHB has acquired land from the Ministry of Housing and Urban Development (HUD) on which to build the new 30-bed inpatient unit in accordance with Option 2.
24. WDHB is currently liaising with HUD over how the Mason campus is developed with regard to planned residential housing developments on adjacent land and the provision of open spaces on the campus. These discussions are happening within the framework of the current Unitary Plan.
25. Following legal advice, WDHB is seeking a change to the Unitary Plan to enable it to achieve the outcomes represented in its master site plan and to provide for the necessary future proofing for the staged development of the site. Such a change would minimize the threat of potential barriers to site development and provide clarity to the potential purchasers of land adjacent to the Mason Clinic.
26. The Ministry of Health has asked WDHB to advise what its fallback position is should the changes it is seeking to the zoning and development restrictions for the Mason campus take time to resolve or prove difficult to achieve.

Next steps

27. The Ministry will prepare a media statement and liaise with your office on the timing for its release.

ENDS.



Appendix One: Approval Letter to Waitematā DHB

Hon Dr David Clark

MP for Dunedin North
Minister of Health

Associate Minister of Finance



Professor Judy McGregor
Chair
Waitematā District Health Board
chair@waitematadhb.govt.nz

Dear Professor McGregor

Approval of Waitematā DHB's Tranche One Mason Clinic Business Case

The Minister of Finance and I have considered Waitematā DHB's request for approval of its Tranche One Business Case for the redevelopment of the Mason Clinic facilities.

I am pleased to advise that we have approved a Crown equity contribution of \$60 million towards the first part of this Tranche One work (Option 2). I understand that this funding will enable Waitematā DHB to construct:

- one 30-bed inpatient building on the northern block of land acquired from the Ministry of Housing and Urban Development; with this building containing two 15-bed units, one on each of the first two floors, and plant and administrative spaces on a third floor
- a small amount of shared activity and support spaces adjacent to this new building
- a temporary secure building entry and temporary internal road extension.

We appreciate that as a result of our decision, the DHB will defer the balance of Tranche One, including development of a second 30-bed inpatient building and an activity and clinical support building, to Tranche Two of the Mason Clinic Redevelopment Programme.

I understand this approach will require Waitematā DHB to review the composition of the three tranches currently reflected in its Programme Business Case, including how the overall redevelopment and expansion programme for the Mason Clinic site is integrated and aligned.

The standard approval conditions that apply to this project are detailed in Appendix One.

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

Yours sincerely

Hon Dr David Clark
Minister of Health

cc: Dr Dale Bramley, Chief Executive, Waitematā DHB

Appendix One: Approval Conditions

The conditions of this approval are as follows.

Funding

- a. The project budget for Option 2, Tranche One is not to exceed \$60 million (excluding GST).
- b. The Crown will provide \$60 million in Crown capital equity from the Health Capital Envelope.
- c. In providing this Crown equity injection, Waitematā DHB will continue to its planned breakeven Annual Plan result for 2019-20 and execution thereof.
- d. A cash profile for the draw-down of equity is to be submitted and agreed with officials prior to drawdown. Waitematā DHB will be expected to manage expenditure within the agreed cash profile or provide timely notification of any re-phasing as part of the quarterly assurance reports.
- e. The final draw-down of equity will be made no later than twelve months after project completion or the remaining funds will be forfeited.
- f. Any surplus capital funds from this project are to be returned to the Crown.

Quarterly Project Assurance and Post Completion Reporting

- g. The Senior Responsible Officer for this project will submit quarterly project assurance reports for this project to the Ministry of Health. The project assurance report will, as a minimum, include the following.
 - i. Progress against project milestones.
 - ii. Confirmation of project costs against the approved budget, including a project cash flow.
 - iii. A Crown capital equity request for expenses incurred during the period.
 - iv. Identification of any material risks and planned mitigation.
 - v. Assurance that the contents of the report is backed by a quantity surveyors report or project director's report and that the DHB Board is informed of the contents of the report.
 - vi. Any other information identified as required by the Ministry of Health.
- h. Failure to submit the quarterly assurance report in a timely manner will result in cessation of access to Crown funding.
- i. After the completion of this project the DHB is to provide an Evaluation and Post Implementation Review to the Capital Investment Management Team, DHB Performance, Support and Infrastructure.
- j. A report against the DHB's Benefits Realisation Plan is to be provided 12 months after the work is completed.



Appendix Two: Projected Capital Costs of the Tranche One Options

Description	Option 1: Full Tranche 1 \$000	Option 2: Part of Tranche 1 \$000
Enabling works	5,746	864
Infrastructure / energy centre / plant	12,059	1,815
Main buildings	87,055	32,537
Entry court / access / car parking	12,716	160
Landscaping and external work	3,393	1,040
FFE	9,261	3,446
Sub-total	130,230	39,862
Design and construction contingency	13,023	3,986
Escalation	10,419	2,790
Total construction cost	153,672	46,638
Professional fees	24,588	5,979
IT / healthAlliance	3,073	797
WDHB internal costs	4,610	1,196
Sub-total	185,943	54,610
Project contingency	18,594	5,461
TOTAL	204,537	60,071



**TE TAI ŌHANGA
THE TREASURY**



Briefing

Waikato DHB Mental Health & Addiction Service Acute Adult Inpatient Facility Redevelopment Indicative Business Case

Date due to MO:	N/A	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	20201248
		Treasury Report number:	T2020/3101
To:	Hon Andrew Little, Minister of Health Hon Grant Robertson, Minister of Finance		

Contact for telephone discussion

Name	Position	Telephone
Robyn Shearer	Acting Deputy Director-General, DHB Performance, Support and Infrastructure	s9(2)(g)(ii)
Chris Fry	Director, Health Infrastructure – Capital Investment, DHB Performance, Support and Infrastructure	
Sebastian Doelle	Team Leader, Health & ACC, Te Tai Ōhanga - The Treasury	

Minister's office to complete:

- | | | |
|--|---|---|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Decline | <input type="checkbox"/> Noted |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn | |

Comment:

Please note this Briefing has not been sent to the Minister of Finance's office.



**TE TAI ŌHANGA
THE TREASURY**



Waikato DHB Mental Health & Addiction Service Acute Adult Inpatient Facility Redevelopment Indicative Business Case

Security level: IN CONFIDENCE **Date:** 10 December 2020

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

Purpose of report

1. This report seeks approval for Waikato District Health Board (DHB) to progress to the Detailed Business Case stage for their Acute Adult Mental Health Unit project. This project has a maximum Crown equity contribution of \$100 million and any additional costs are to be funded by the DHB.

Summary

2. Waikato DHB has submitted an Indicative Business Case for a new ^{s9(2)(f)(iv)} acute adult mental health inpatient unit at the Waiora Waikato Hospital campus, replacing the current 60-bed facility.
3. This project was prioritised from Budget 2019 with a maximum Crown funding contribution of \$100 million [HR20191183 refers].
4. Officials and the Capital Investment Committee recommend Ministers of Health and Finance approve this project to progress to Detailed Business Case, conditional on:
 - i. increased involvement of the Ministry of Health's Health Infrastructure Unit, including representation on the governance group in the project's next stages
 - ii. the DHB providing cost information and analysis for the short-listed options within the detailed business case to adequately reflect the full option implications. This includes the relocation of the renal service (as required for the currently preferred option).
5. Approval of this indicative business case is required for the DHB to progress this urgent and already delayed project for a government priority service.



Recommendations

Officials recommend that you:

	Minister of Health	Minister of Finance
6. Approve Waikato DHB's Acute Adult Mental Health Facility project to proceed to the Detailed Business Case stage, conditional on:	Yes/No	Yes/No
i. increased involvement by the Ministry of Health's Health Infrastructure Unit (HIU) in the project's next stages, through representation on the governance group, and		
ii. the DHB providing cost information and analysis for the short-listed options in the Detailed Business Case to adequately reflect the full option implications, including for the relocation of the renal service (as required for the currently preferred option).		
7. Note this project was prioritised from Budget 2019, with a maximum Crown funding of \$100 million from the Health Capital Envelope 2020-25 appropriation.		
8. Note officials recommend that the detailed business case:		
i. demonstrate that the preferred option can be delivered within the previously agreed \$100 million allocation, as shown by a Qualitative Risk Assessment and appropriate risk contingencies included in the project budget, and considering the costs of relocating the renal service; or		
ii. include detailed analysis of the other short-listed options, if the preferred option cannot be delivered within the \$100 million allocation.		
9. Sign and send the attached letter to the Commissioner of Waikato DHB informing her of your decision.	Yes/No	



10. **Note** that the Ministry of Health's HIU is increasing support for all elements of the health capital investment cycle, which will result in clearer expectations and a more nationally consistent approach for mental health and other health capital projects.

Robyn Shearer
Acting Deputy Director-General
**DHB Performance, Support and
Infrastructure**
The Ministry of Health

A handwritten signature in blue ink, appearing to read 'S Doelle'.

Sebastian Doelle
Team Leader
Health and ACC
The Treasury

Hon Andrew Little
Minister of Health
Date:

Hon Grant Robertson
Minister of Finance
Date:



Background

1. The Waikato DHB Acute Mental Health project was prioritised from Budget 2019 with a maximum Crown funding contribution of \$100 million [HR20191183 refers].
2. In February 2019, Waikato DHB's Mental Health and Addictions Service Programme Business Case was approved by the Ministers of Health and Finance [HR20182326 refers].
3. In February 2019, Waikato DHB submitted their Facility Indicative Business Case to the Capital Investment Committee (CIC). The CIC did not endorse progression and requested that the DHB undertake further work on service design and facility options.
4. In June 2020 Waikato supplied additional information and this was presented to CIC in July 2020. ^{s9(2)(g)(i)} [REDACTED]
[REDACTED]
[REDACTED] The CIC endorsed the indicative business case, conditional on officials undertaking a site selection review process (which was completed in September 2020).

Waikato DHB

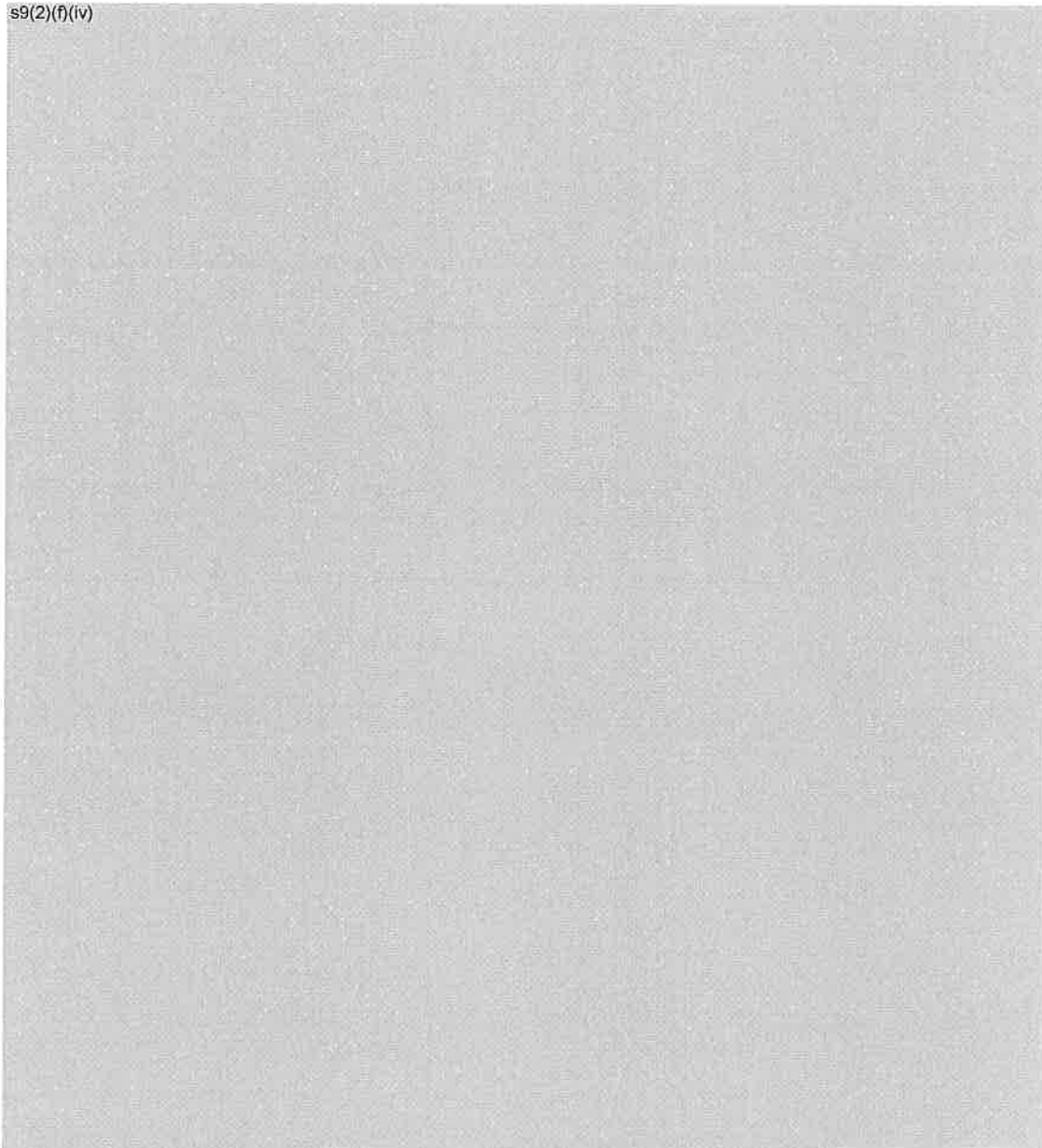
5. The Waikato district's current population is 417,000 people and is projected to grow to over 457,000 by 2028. Of the current population, 42 percent live in rural areas. Māori, Pacific peoples and Asian populations are growing more quickly than others (by 2028, one-in-four people will identify as Māori) and presently 41 percent of Māori live in the most deprived quintile 5 areas.
6. Inpatient mental health services are based in the Henry Rongomau Bennett Centre on the Waiora Waikato Hospital campus, in Hamilton.

Proposed Investment

7. The current mental health facility built in 1990, is not clinically fit for purpose, institutionally unsafe and untherapeutic. The facility scored poorly in various reviews including the National Asset Management Programme, a Section 99 patient care and facility review (Crawshaw, 2016) and inspections from the Chief Ombudsman (2020). All agree the facility needs to be replaced.
8. There is also a need to increase capacity to meet population needs to 2035, with further work required to finalise bed numbers in the detailed business case. The DHB needs to allow for both unmet need and the potential impact of the Waikeria Prison's new facility.
9. Currently the planned capacity for the new facility of ^{s9(2)(f)(iv)} [REDACTED]. However, the DHB has committed to implementing changes to the model of care by the way of increased community services, to reduce the demand for acute services and reduce the average length of stay. This approach is strongly supported by officials, including the need for further, robust clinical service planning and a benefits realisation plan within the detailed business case which will support all of this work.



- 10. The scope of the investment includes acute mental health inpatient services only. Forensic services will be the subject of a separate business case.
- 11. The DHB has identified three short-list options (excluding the current state) to be appraised further in the detailed business case.



s9(2)(f)(iv)

An average
timeframe to develop and write up a detailed business case can take 12 to 18 months.

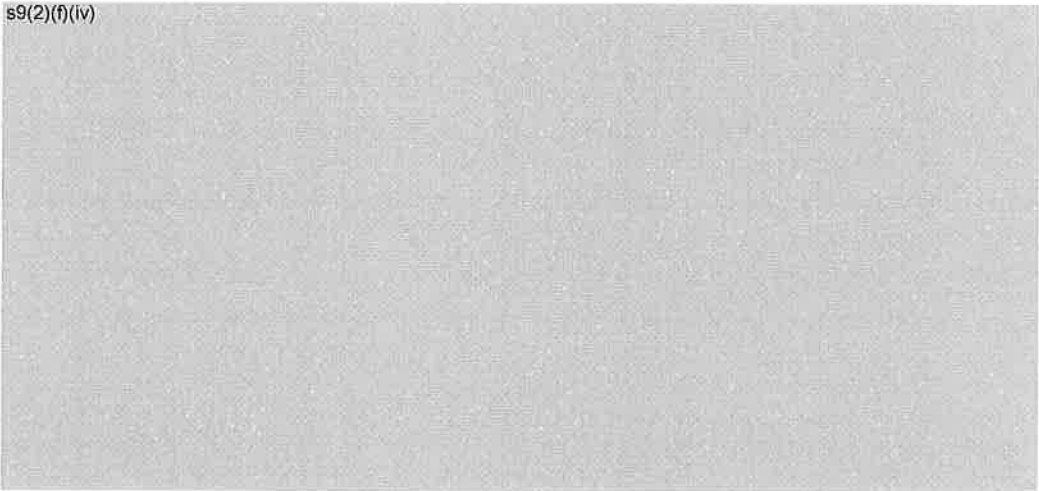



13.


s9(2)(f)(iv)



Analysis

Short-listed Site Options

14. The DHB has not completed a master site plan to understand their future build implications, but they will work to deliver one over the next nine months. The Waioira Waikato Hospital campus is constrained, and there are known geotechnical concerns.
15.  s9(2)(f)(iv)
16. 
17. 
18. The Ministry has reviewed the investment options and supports the DHB's short-list and preferred option, provided they can be delivered within the \$100 million budget.
19. The geotechnical report of the preferred site indicates several site concerns related to unengineered soft fill, site foundations/stability risk and natural slope, impacting on design, cost and timeframe. The DHB has provided an innovative architectural solution for the building and an engineered foundation solution.  s9(2)(g)(i)
20. Officials recommend that the Detailed Business Case for this project:
- i. demonstrate that the preferred option can be delivered within the previously agreed \$100 million allocation, as shown by a Qualitative Risk Assessment and appropriate risk contingencies included in the project budget, and considering the costs of relocating the renal service; or
 - ii. include detailed analysis of the other short-listed options, if the preferred option cannot be delivered within the \$100 million allocation.

21.  s9(2)(f)(iv)

22. 



Financial

23. The DHB has recorded ongoing and worsening deficits between 2015/16 and 2018/19. The DHB has limited cash reserves and over the past four years free cash flow has deteriorated significantly. Officials believe there is a high risk that the DHB may not be able to afford any cost overruns, including the renal service relocation required by the preferred option or the increased opex expenses related to implementing their new model of care.
24. In the context of having to self-fund any cost overruns, the DHB will have to reprioritise its planned capital spending on business-as-usual capital expenditure from depreciation funding.
25. Waikato DHB's unaudited results for the year ended 30 June 2020 is a deficit of \$72.4 million, which was on par with budgeted deficit. The underlying results, net of Holidays Act provisioning and the impact of Covid-19 is a deficit of \$60.1 million. The DHB's latest iteration of its 2020-21 Annual Plan budget indicates a deficit of \$29.7 million at year-end.
26. The DHB received \$120 million of deficit support equity injection in April 2020. In their cash flow forecast which accompanied the 2020-21 budget, the DHB has flagged that it will not require any equity injection / deficit support funding in 2020-21 and outyears. Officials' opinion is that this is likely to be accurate.
27. This project has \$100 million of Crown funding prioritised within the Health Capital Envelope. Officials consider a mental health facility of this type and size is deliverable within this budget.
28. If additional funding is required and cannot be sourced from the DHB, then additional Crown funding would be sourced from the unallocated contingency pool. The carried forward unallocated contingency pool of the Health Capital Envelope is \$252.15 million, but there are contingency risks against this of between a range of \$218.55 to \$258.55 million. If all risks are realised, this would slightly reduce the funding available from the Budget 2020 appropriation. See Appendix One for other mental health facility projects also underway.

Management

29. s9(2)(g)(i)
30. Officials recommend increased involvement by the Ministry of Health's HIU in the project's next stages, through representation on the governance group.

Next steps

31. Officials and the Capital Investment Committee recommend Ministers of Health and Finance approve this project to progress with the short-list of options s9(2)(f)(iv), conditional on:



- i. increased involvement by the Ministry of Health's HIU in the project's next stages, through representation on the governance group, and
- ii. the DHB providing cost information and analysis for the short-listed options in the detailed business case to adequately reflect the full option implications,

s9(2)(f)(iv)

32. Waikato DHB will be informed they are required to submit an implementation business case following approval of their detailed business case, to meet the Ministry of Health and Treasury official's satisfaction. This will not require a health report to be submitted to joint Ministers, unless any unforeseeable scope or cost changes cannot be mitigated.
33. This build illustrates some difficulties of currently not having design standards for mental health facilities to meet New Zealand health needs. Further work and resourcing are prioritised and underway within the Ministry of Health's HIU. This includes the commencement of a Mental Health Infrastructure Programme and recent appointment of a new Facilities Design and Planning Manager. This increased DHB support for all elements of the health capital investment cycle will result in clearer expectations and a more nationally consistent approach for mental health and other health capital projects.

ENDS.



Appendix One

Costs of Recent Acute Adult Mental Health Projects							
DHB	Business Case Status	Beds	GFA Building Area (sqm)	Sqm/bed	Total Estimated Cost (\$m)	\$/bed (\$m)	\$/sqm
out of scope		s9(2)(f)(iv)					
Tairāwhiti	Approved – Design Underway						
Lakes	Approved – Design Underway						
Waikato	Awaiting IBC Approval						
MidCentral	Approved – Design Underway						
out of scope							



Joint Report

Hauora Tairāwhiti Mental Health Single Stage Business Case

Date due to MO: 30 July 2020 **Action required by:** 5 August 2020

Security level: IN CONFIDENCE **Health Report number:** 20201012

Treasury number: T2020/2131

To: Hon Grant Robertson, Minister of Finance
Hon Chris Hipkins, Minister of Health

Contact for telephone discussion

Name	Position	Telephone
Michelle Arrowsmith	Deputy Director-General, DHB Performance, Support and Infrastructure	s9(2)(g)(ii)
Jo Strachan-Hope	Manager, Investment Strategy	
Helen Anderson	Senior Analyst, The Treasury	

Action for Private Secretaries

Date dispatched to MO:

Return the signed report to the Ministry of Health

Sign and send the letter to the Chair of Hauora Tairāwhiti



Hauora Tairāwhiti Mental Health Single Stage Business Case

Purpose of report

This report requests that you consider and approve Hauora Tairāwhiti's Mental Health Single Stage Business Case. The total budget is \$18.8 million, which will be fully funded by a Crown equity contribution.

Key points

- In June 2019, at a visit to Hauora Tairāwhiti, the Minister of Health announced funding of between \$15 million and \$20 million for a new inpatient mental health and addiction facility at Gisborne Hospital (HR20190998 refers).
- Hauora Tairāwhiti has submitted a Single Stage Business Case seeking approval to replace Te Whare Awhiora (TWA) its acute inpatient mental health and addictions facility on the Gisborne Hospital campus at an estimated cost of \$18.8 million fully Crown funded.
- The current facility has been deemed not fit for purpose by the Ombudsman, Director of Mental Health and in findings from the clinical facility assessment as part of the National Asset Management Programme. The key drivers for investment are to address safety risks, the inadequate layout and poor-quality physical environment that have negative impacts on patient rehabilitation.
- Te Ao Māori thinking has informed the entire business case and is embedded into the proposed design and function of the unit. This is particularly important given two thirds of those admitted to the unit in the last five years are Māori.
- The DHB's preferred Option 1B is to demolish the existing facility and build a new one on the existing site. s9(2)(f)(iv)
- Officials and the Capital Investment Committee support the business case and preferred option, and recommend joint Ministers approve this under the condition that the Health Infrastructure Unit has increased involvement in next steps.



Recommendations

The Ministry and Treasury recommend that you:

	Minister of Health	Minister of Finance
a) Approve Hauora Tairāwhiti's single stage business case and preferred option, a new build on the existing site at a total cost of \$18.8 million, fully Crown funded, subject to the Health Infrastructure Unit's increased involvement in the next stages.	Yes/No	Yes/No
b) Agree to release \$18.8 million to Hauora Tairāwhiti from the Health Sector Capital Envelope 2020-2025 Appropriation.	Yes/No	Yes/No
c) Sign and send the attached letter to the Chair of Hauora Tairāwhiti.	Yes/No	
d) Note that Hauora Tairāwhiti will be required to have a Health Infrastructure Unit official on its governance group.		
e) Note that under the standard approval conditions for Crown funded DHB capital infrastructure projects, Hauora Tairāwhiti will be required to submit quarterly assurance reports to the Ministry of Health.		
f) Note that the Health Infrastructure Unit is developing business case guidance, including specific guidance for mental health facilities, which will help set clearer expectations and provide a more nationally consistent approach as projects progress.		

Michelle Arrowsmith
Deputy Director-General
DHB Performance, Support and Infrastructure

Hon Chris Hipkins
Minister of Health
Date:

Sebastian Doelle
Team Leader, Health and ACC
The Treasury
Date: 17.07.2020

Hon Grant Robertson
Minister of Finance
Date:



Joint Health Report

Lakes DHB Mental Health Unit Single Stage Business Case

Date due to MO:	N/A	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	20200249
		Treasury number:	T2020/2489
To:	Hon Chris Hipkins, Minister of Health; Minister of Education; Minister of State Services Hon Grant Robertson, Minister of Finance		

Contact for telephone discussion

Name	Position	Telephone
Michelle Arrowsmith	Deputy Director-General, DHB Performance, Support and Infrastructure	s9(2)(g)(ii)
Karl Wilkinson	Director, Health Infrastructure Unit, DHB Performance, Support and Infrastructure	
Helen Anderson	Capital Investment, Health & ACC, Te Tai Ōhanga - The Treasury	s9(2)(k)

Action for Private Secretaries

Sign and send a copy of the report to the Minister of Finance

Date dispatched to MO:

Return the signed report to the Ministry of Health

Sign and send the letter to Lakes DHB Board Chair

Return the signed letter to the Ministry of Health





Lakes DHB Mental Health Unit Single Stage Business Case

Purpose of report

This report seeks your approval of the Lakes District Health Board's (DHB's) Mental Health and Addictions Services inpatient facility redevelopment Single Stage Business Case. The total budget is \$31 million, of which \$25 million will be funded by Crown equity contribution and \$6 million funded by the DHB.

Summary

- This project was prioritised in September 2019 by the previous Minister of Health and the Minister of Finance from Budget 2019 appropriation, with an expected budget of \$25 million [HR20191183 refers].
- Lakes DHB's Whare Whakaue Mental Health and Addictions Services has high service demand, with bed capacity over the past 12 months at a median of 104 percent.
- The need to invest is driven by the lack of appropriate inpatient facilities, related to their poor design. The facilities are not conducive to the delivery of contemporary therapeutic services, nor do they enable the potential of new models of care to be realised.
- The preferred new build option has an increase from 14 to 16 beds on commissioning. Four shelled beds are proposed to be opened over the next five years, taking the total to 20 beds.
- Officials and the Capital Investment Committee support the business case and preferred option and recommend joint Ministers approve this case, subject to the Ministry of Health's Health Infrastructure Unit having increased involvement in the next stages.



Recommendations

The Ministry and Treasury recommend that you:

	Minister of Health	Minister of Finance
	Yes/No	Yes/No
a) Approve the Lakes DHB Mental Health Unit Single Stage Business Case, based on the report that was submitted to and reviewed by the Ministry, Treasury and the Capital Investment Committee, subject to the Health Infrastructure Unit having increased involvement in the project's next stages. The project is for a total budget of \$31 million, of which \$25 million will be funded by Crown equity contribution and \$6 million funded by the Lakes DHB over three years.		
b) Note this project was prioritised in September 2019 by joint Ministers from Budget 2019 appropriation, with an expected budget of \$25 million [HR20191183 refers].		
c) Agree to release \$25 million from the Health Capital Envelope 2020-2025 Appropriation to Lakes DHB.	Yes/No	Yes/No
d) Sign and send the attached letter to the Chair of Lakes DHB informing him of your decision.	Yes/No	
e) Note that a Health Infrastructure Unit official will be part of the DHB's project governance group.		
f) Note that the Health Infrastructure Unit is increasing support for all elements of the health capital investment cycle, which will result in clearer expectations and a more nationally consistent approach for mental health and other health capital projects.		

Michelle Arrowsmith
Deputy Director-General
**DHB Performance, Support and
Infrastructure**
Ministry of Health

Jess Hewat
Manager, Health and ACC
The Treasury

Hon Chris Hipkins
Minister of Health
Date:

Hon Grant Robertson
Minister of Finance
Date:



Lakes DHB Mental Health Unit Single Stage Business Case

Background

1. Lakes District Health Board (DHB) submitted its Mental Health Unit Single Stage Business Case to the Ministry of Health in December 2019. Officials and the Capital Investment Committee have reviewed the business case and recommend it be approved.
2. Whare Whakaue Mental Health and Addictions Services 14-bed inpatient facility at Rotorua Hospital's campus is 43 years old, with the ward area completed in 1997.
3. Lakes DHB provides Mental Health and Addictions Services to the Rotorua, Taupō, Turangi and Mangakino central North Island region. Approximately 15 percent of the population is over the age of 65. Māori make up 35 percent but comprise 52 percent of the total inpatient mental health admissions. Both groups are expected to grow over the next 10 years. Regional deprivation is higher than the national average and with anticipated growth, these groups place an increased demand on Mental Health and Addictions Services provision.
4. Currently 2.7 per 1000 people in LDHB require annual access to acute Mental Health and Addictions Services and many more access community-based Mental Health and Addictions Services.
5. Adult community services are offered from separate rental facilities with several constraints including: location accessibility; space configuration; safety; cultural appropriateness; and quality service delivery. The capacity of the current facilities are:
 - Te Ngako Community Services – 855m² off site, first floor of multi-storey, minimal parking
 - MHSOP Community Services – constrained 146m² on site, renovated residential villa.
6. Lakes DHB is committed to strengthening the acute Mental Health and Addictions Services continuum through the provision of community-based acute options and ensuring there are strong links with the providers of outreach, home and community-based Mental Health and Addictions Services. This includes developing home-based treatment as an alternative to acute admission (Lakes DHB is currently exploring this option with a local provider).
7. Further investment in primary and community care options (including community hubs) for better access and early intervention is occurring with community-based organisations and some established Non-Government Organisation providers. This is to better support at risk population groups such as Hapū Māmā (pregnant mothers), youth and Māori.
8. Bay of Plenty, Waikato and Lakes DHBs have begun service configuration discussions to assist the right service delivery, at the right level, and in the right location for both the regional and local DHB populations. A key focus is determining what services need to



be 'close to home' and what could be provided most effectively and efficiently at a regional level.

Problem Definition

9. The current facility is too small to meet current and future demand, and the facility is inappropriately configured, in poor condition, and does not enable the Lakes DHB model of care.

Capacity

10. Lakes DHB provides 11 adult mental health inpatient beds for a population of 110,000 (the national median is 16 beds per 100,000). The past 12 months' bed occupancy (including patients on leave) has been 87-114 percent, with a median of 104 percent (85-90 percent is the optimum occupancy level for efficiency and safety). Occupancy of the two Mental Health Services for Older People beds has consistently been at 95 percent or above for the past 12 months.
11. The demand at Lakes DHB is consistent with national pressure. There has been a steady annual increase in the number of people accessing Mental Health and Addictions Services across New Zealand. Māori are over represented in those accessing Mental Health and Addictions Services at 27.7 percent, compared with the general population, at 15.4 percent.
12. In addition, Health of the Nation Outcome Scales data shows an increase in the complexity of acute inpatients admitted to the DHB over the past 10 years at higher than national average acuity. Lakes DHB is admitting patients with a high Health of the Nation Outcome Scales score and discharging them at a high Health of the Nation Outcome Scales score, which does not reduce the likelihood of subsequent admissions. Lakes DHB's clinician's opinion is that they discharge people with increased severity due to pressure on beds and other patients requiring admission.

Condition and Layout

13. The current facilities are in poor condition, past their economic life, have compliance issues, insufficient capacity and are not fit for purpose. The independent assessments undertaken as part of the National Asset Management Plan have confirmed the facility challenges.
14. Some of the issues identified by Lakes DHB include:
 - roof design having internal gutters and several unresolvable waterproofing issues over its lifespan - still leaking
 - asbestos cladding on some external walls
 - electrical infrastructure at the end of its 35-year lifespan
 - mechanical infrastructure - heating ventilation and air conditioning systems struggle to maintain adequate temperatures.
15. The design of the facility is negatively impacting the quality of care and putting people at risk of harm. The facility layout has been modified to provide high dependency and low stimulus areas, with some physical separation, but it is difficult to separate cohorts as both areas still lead into a central communal space. This has clinical risk.



16. Patients comment on the lack of privacy in the unit when using the bathroom and feel it is inappropriate for men and women to use the same facilities.
17. Physical spaces have inadequate size, layout, natural light, and lack the ability to be flexible and adaptable to both consumer cohort needs and to therapies as they change over time.
18. In addition to the current capacity for acute adult and Mental Health Services for Older People being suboptimal for efficiency and safety, the current unit offers little capacity to accommodate people with disability, babies or adolescents, nor facilities for whānau to remain with the client.

Proposed Investment

19. The preferred option is a new build, with an increase from 14 to 16 beds on commissioning. This will provide 11 adult beds, one Alcohol and Other Drug withdrawal bed, and four Mental Health Services for Older People inpatient beds (this being the area of the two additional beds). A further four shelled beds are proposed to be opened over the next five years taking the total to 20 beds.
20. Officials note the demand for these beds and that Lakes DHB bed numbers per 100,000 are amongst the lowest across all DHBs. This adds to the overall low inpatient bed numbers across the Midland region.
21. However, Lakes DHB has a higher ratio of Non-Government Organisation mental health services when compared to other DHBs, and it continues to utilise these "closer to home" care options progressively with its new model of care initiatives planned.
22. Consequently, the Capital Investment Committee and Ministry and Treasury officials agree to Lakes DHB's decision to shell four beds initially. It is expected that Lakes DHB will revisit this decision throughout the construction period if demand exceeds provided capacity.
23. Cultural aspects of Lakes DHB's design and model of care have provided space for a wharenuī, whānau rooms and architecture that reflects the cultural significance of the area and meeting the needs of the users. Lakes DHB estimates there is culturally appropriate space allocation of approximately 100 m² within the design, s9(2)(j)

Funding Requirement

24. This project was prioritised in September 2019 by the previous Minister of Health and Minister of Finance from Budget 2019 appropriation, with an expected budget of \$25 million [HR20191183 refers]. The project may have capital charge funding implications in out years, which will be considered in future Budgets.
25. The initial design plans were for a facility costing approximately \$32.7 million. The DHB's review of their preliminary design plans resulted in a reduction of the facility foot print from 2242m² to 2109m², to align more closely with the \$25 million prioritised for the project from Budget 2019.
26. The total project cost is now \$31 million, of which \$25 million is proposed to be funded by Crown equity injection and \$6 million funded by the DHB over three years.



27. The proposed budget is broadly consistent with similar mental health builds. Appendix One provides high level comparisons with previous and current mental health builds. This information is limited, in that the costs per bed and per square metre are crude measures and do not account for site specific factors such as differing enabling works, demolition, site requirements and decanting costs. The Ministry is currently refining this costing information and will be supported by work underway in the Health Infrastructure Unit, described below.
28. Lakes DHB's Board considered the amended Single Stage Business Case at its 13 December 2019 meeting. The Board unanimously supported a request for funding from central Government up to the maximum allocated and funding of the remainder by the DHB.

Financial Performance

29. Lakes DHB's approved Annual Plan for 2019-20 was based on a year-end final position of \$10.1 million deficit, which was less than the 2018-19 year-end result of a \$15 million deficit. The DHB's unaudited full year result for 2019/20 is a deficit of \$12.9 million, and their final plan financial target for 2020/21 is an improved deficit of \$1.9m with a breakeven financial performance forecast for the outyears.
30. The Capital Investment Committee has endorsed this project on the condition that officials provide assurance that the DHB has the capacity to self-fund the \$6 million for it. As at June 2020 the DHB had cash on hand of \$6.3 million and an undrawn overdraft facility of \$18.4 million. Long-term cashflow forecasts from the DHB indicate that they will remain in a positive operating cash position for at least the next two years. Officials believe it is feasible for the DHB to self-fund the additional \$6 million.

Next Steps

31. This is the final stage for the approval of the Lakes project. The DHB will be managing the build, with support from the Health Infrastructure Unit. A Health Infrastructure Unit official will be part of the project governance group to ensure close oversight and alignment with other mental health capital projects. The DHB will also be required to provide quarterly assurance reporting to the Ministry.
32. The Health Infrastructure Unit is increasing support for all elements of the investment cycle. For mental health investments, the support includes:
 - a. employment of a Project Director to support the portfolio of mental health builds
 - b. specific business case guidance for mental health investments, which is being developed
 - c. further assessments of mental health units, which are underway as part of the National Asset Management Programme.
33. The combined impact of this work will be clearer expectations and a more nationally consistent approach as projects progress, and for future business cases.
34. Lakes DHB intends to commence its build in November 2020 with commissioning of the new build currently expected to occur in July 2022. At this stage Covid-19



implications are not currently known, but officials will report back to Ministers if there are any changes to these dates.

ENDS.



Appendix 1: Costs of Recent Acute Adult Mental Health Projects

Note that the information in the table below provides only a high-level comparison. The costs per bed and per square metre are crude measures and do not account for specific factors such as differing enabling works, demolition, site requirements, decanting costs and facility size impacts. In addition, for the projects underway, these are budgeted costs, and it is not clear what final cost will be following value management, tendering, and through to completion.

Costs of Recent Acute Adult Mental Health Projects							
DHB	Business Case Status	Beds	GFA Building Area (sqm)	Sqm/bed	Total Estimated Cost (\$m)	\$/bed (\$m)	\$/sqm
out of scope		s9(2)(f)(iv)					
Tairāwhiti	Awaiting Single Stage Business Case Approval						
Lakes	Awaiting Single Stage Business Case Approval						
Waikato	Awaiting IBC Endorsement						
MidCentral	Awaiting Single Stage Business Case Approval						
out of scope							

Hon Chris Hipkins

MP for Remutaka

Minister of Education

Minister of Health

Minister of State Services

Leader of the House

Minister Responsible for Ministerial Services



Jim Mather
Chair
Lakes District Health Board
jim@mathersolutions.co.nz

Dear Mr Mather

Lakes District Health Board Mental Health Unit Single Stage Business Case

The Minister of Finance and I have considered your request for approval of the Mental Health Unit Redevelopment project.

I am pleased to advise that we have approved this project with a maximum Crown equity contribution of \$25 million towards the total \$31 million cost. Lakes DHB will need to self-fund the remainder \$6 million of the required investment.

This approval includes the condition that the Ministry of Health's Health Infrastructure Unit have increased involvement in the next steps.

The standard approval conditions that apply to this project are detailed in Appendix One. In addition, this approval is conditional on the DHB ensuring appropriate management of its financial position in order to deliver the Mental Health Unit Redevelopment project.

This project will provide a safe and appropriately therapeutic facility for your staff, patients and whanau. I look forward to its completion.

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

Yours sincerely

Chris Hipkins
Minister of Health

Cc: Nick Saville-Wood, Chief Executive, Lakes DHB
Nick.Saville-Wood@lakesdhb.govt.nz
Andrew McCurdie (Acting), Executive Director Finance, Procurement and Supply Chain, Lakes DHB
Andrew.McCurdie@lakesdhb.govt.nz

Appendix One: Approval Conditions – Mental Health Unit Redevelopment

The conditions of this approval are:

Pre-build

1. The DHB will supply to the Ministry of Health the preliminary and detailed design documents and the associated quantity surveyor reports, and the information in these reports will be to the satisfaction of the Ministry of Health.
2. The DHB will undertake an independent review of the preliminary design and the outcome of this will be provided to the Ministry of Health.

Quarterly Project Assurance and Post Completion Reporting

3. The DHB Chair/Senior responsible officer will submit quarterly project assurance reports for this project to the Ministry of Health. A template is available from the Capital Investment Management team. The quarterly assurance report will include the following:
 - i) Progress against project milestones.
 - ii) Confirmation of project costs against the approved budget, including a project cash flow.
 - iii) Notification of significant and/or material risks.
 - iv) Change management process, including health services and models of care.
 - v) Details of any project scope change (note: material scope changes may require the approval of the Minister of Health).
 - vi) DHB Board assurance that the Board has considered the quantity surveyor and project director's reports.
 - vii) Any other information as requested by the Ministry of Health.

Failure to submit the monthly assurance report in a timely manner will result in cessation of access to Crown funding.

4. At the completion of the project the DHB is to submit a completed Post Implementation Review. A Post Occupancy Evaluation is to be submitted twelve months after the commissioning of the building, including progress on benefits realisation/monitoring.

Funding

5. The project budget is not to exceed \$31 million for the mental health unit.
 - i) The Crown will provide up to \$25 million towards the project, in Crown capital equity from the Health Capital Envelope and \$6 million funded by the DHB over three years.
 - ii) A cash profile for the draw-down of equity is to be submitted and agreed with officials prior to any drawdowns. The DHB will be expected to manage expenditure within the agreed cash profile or provide timely notification of any re-phasing as part of the monthly assurance reports.
 - iii) The final draw-down of equity will be made no later than twelve months after project completion or the remaining funds will be forfeited.
 - iv) Any surplus capital funds from this project are to be returned to the Crown.

END.

**TE TAI ŌHANGA
THE TREASURY**

Health Report

MidCentral District Health Board Mental Health Unit Single Stage Business Case

Date due to MO:	N/A	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	20201049
		Treasury Report number:	T2020/2591
To:	Hon Chris Hipkins, Minister of Health Hon Grant Robertson, Minister of Finance		

Contact for telephone discussion

Name	Position	Telephone
Michelle Arrowsmith	Deputy Director-General, DHB Performance, Support and Infrastructure	s9(2)(g)(ii)
Chris Fry	Director, Health Infrastructure - Capital, DHB Performance, Support and Infrastructure	
Helen Anderson	Capital Investment, Health & ACC, Te Tai Ōhanga - The Treasury	s9(2)(k)

Action for Private Secretaries

Sign and send a copy of the report to the Minister of Finance

Date dispatched to MO:

Return the signed report to the Ministry of Health

Sign and send the letter to Lakes DHB Board Chair

Return the signed letter to the Ministry of Health.



MidCentral District Health Board Mental Health Unit Single Stage Business Case

Purpose of report

This report seeks your approval of the MidCentral District Health Board's (DHB's) Mental Health Unit Single Stage Business Case, at an estimated cost of \$35.4 million with maximum Crown equity contribution of \$30 million and up to \$5.4 million to be funded by the DHB.

Summary

- The MidCentral DHB's inpatient mental health unit was prioritised from Budget 2019 appropriations, with a maximum Crown funding of \$30 million [HR20191183 refers].
- MidCentral DHB has submitted a Single Stage Business Case for a new acute mental health inpatient unit, at the Palmerston North hospital site.
- The project will provide a 28-bed facility (24 commissioned, 4 expansion), to replace the current 24-bed facility.
- MidCentral DHB has recently updated its cost estimates for the project to \$35.4 million, including contingency. The DHB will self-fund any costs above the \$30 million Crown funding.
- Officials and the Capital Investment Committee recommend joint Ministers approve this project.
- The Ministry of Health's Health Infrastructure Unit will have increased involvement in the project's next stages, through representation on the governance group.



Recommendations

The Ministry recommends that you:

	Minister of Health	Minister of Finance
	Yes/No	Yes/No
a) Approve MidCentral DHB's Mental Health Unit Single Stage Business Case, based on the report that was submitted to and reviewed by the Ministry, Treasury and the Capital Investment Committee, with a maximum budget of \$35.4 million (\$30 million Crown equity contribution, with the remainder to be DHB funded).	Yes/No	Yes/No
b) Agree to release \$30 million from the Health Capital Envelope 2020-2025 Appropriation for a new Mental Health Unit at MidCentral DHB.	Yes/No	Yes/No
c) Note this project was prioritised from Budget 2019 appropriation, with a maximum Crown funding of \$30 million.		
d) Sign and send the attached letter to the Chair of MidCentral DHB informing him of your decision.	Yes/No	
e) Note that a Health Infrastructure Unit official will be part of the DHB's project governance group.		
f) Note that the Health Infrastructure Unit is increasing support for all elements of the health capital investment cycle, which will result in clearer expectations and a more nationally consistent approach for mental health and other health capital projects.		

Michelle Arrowsmith
Deputy Director-General
**DHB Performance, Support and
Infrastructure**
The Ministry of Health

Sebastian Doelle
Team Leader
Health and ACC
The Treasury

Hon Chris Hipkins
Minister of Health
Date:

Hon Grant Robertson
Minister of Finance
Date:



Background

Project

1. The MidCentral District Health Board's (DHB's) inpatient mental health unit was prioritised from Budget 2019 appropriation, with maximum Crown funding of \$30 million [HR20191183 refers].
2. MidCentral DHB submitted its Mental Health Unit Single Stage Business Case to the Ministry of Health in June 2020. Officials and the Capital Investment Committee have reviewed the business case and recommend it be approved.

DHB

3. MidCentral DHB's population of approximately 180,000 is comparable to the national average but has just over 12 percent of the population aged 70 years or older, compared with around 10 percent nationally. Māori constitute just under 20 percent of MidCentral DHB's population, compared with 16 percent nationally.
4. MidCentral DHB's campus is based in Palmerston North and provides health and disability services to people living in Palmerston North, Manawatū, Tararua, Horowhenua and the Otāki ward of the Kāpiti district.

Facility

5. The current facility was purpose built and opened in 2000. The layout and design focussed heavily on seclusion use. There have been no material alterations since. The design of this facility was managed under a previous system where the Ministry did not have oversight of the facility design.

The Proposed Investment

Key Drivers

6. The need for investment as described by MidCentral DHB includes:
 - The unsuitable built environment is impacting quality of care. The current facility has shared bathrooms, lack of privacy, poor line of sight, ligature risks and is institutional in nature.
 - Lack of flexibility inhibits the ability to cohort users (including detoxification or youth).
 - Capacity and space constraints are driving high seclusion use, and lower than average length of stay due to pressure for early discharging. In 2019, 16 percent of clients were readmitted within 28 days of discharge (the national target is 0-10 percent).



Expected Scope

7. The expected scope of investment is to provide culturally appropriate services incorporating a safe and therapeutic facility for acute and older adult mental health inpatients, including a high needs unit and spaces supporting new models of care.
8. The scope excludes the wider continuum of care (step-down/respite facilities, outpatient and community mental health). However, the DHB is separately working on these areas.
9. The current and future state are shown in the table below:

	Current State	Future State – New facility Preferred Option (to 2031)
Beds	24 (comprising 10 acute female; 8 acute male; 6 High Needs Unit beds, of which 2 are used for seclusion)	28 plus two de-escalation rooms (with the potential for growth if required later)
Beds per 10,000 population	1.33 based on 24 beds and population of 180,000	1.56 (based on 28 beds and 180,000)
Design features	Cold, hard, sterile, institutional and lacking in any homelike aspects. Shared bathrooms. Lack of segregation ability, privacy. Ligature risks. Poor line of sight.	Warm and welcoming, conducive to wellness and recovery. All ensuite. Flexible areas with 4 pods for cohorting. Privacy. De-escalation spaces. Internal and external courtyards.
GFA	1607.9	Gross Departmental/Building Area (inclusive of Travel/Proposed Link & Engineering): 2682 + Internal Courtyards and Unenclosed Covered Areas (Front Entry): 721 = Total GFA: 3403
Sqm per bed	67m2	96m2

Budget

10. This project was prioritised from Budget 2019 appropriations, with a maximum Crown funding of \$30 million [HR20191183 refers].
11. MidCentral DHB's indicative financial costings based on concept design are shown below:



Capital Expenditure	Total \$000
Professional Services	s9(2)(j)
Demolition	
Construction	
Information Technology	
Fixtures, Fittings and Equipment	
Commissioning and Sundry	
Contingency	
Total Capital Expenditure	

Financial Case

12. Officials expect MidCentral DHB will self-fund costs up to \$5.4 million above the \$30 million maximum Crown funding allocated.
13. Some of this funding requirement will be offset by an additional Crown equity contribution of \$1.5 million provided to the DHB's Surgical Procedural Interventional Recovery Expansion project [HR20200809 refers].
14. The business case indicates in the first full year of operation in 2022/23, the impact of this project upon the DHB's financial performance is positive with \$0.5 million surplus. This will be reported on by the DHB in their post occupancy evaluation, one year after they are operational.

Financial Performance

15. MidCentral DHB's unaudited results for the year ended 30 June 2020 is a deficit of \$17.7 million, which is \$5.6 million adverse to plan. This result includes \$3.8 million of Covid-19 related expenditure and a \$1.6 million provisioning in respect of Holidays Act non-compliance costs. The DHB's underlying results net of Covid-19 expenditure and Holidays Act provisioning is a deficit of \$12.3 million which is \$0.2 million adverse to planned deficit.
16. The DHB modelling for operational impact of the new facility shows a net reduction in cost of \$0.3 million per annum. This reflects savings of \$0.7 million per annum achieved through a reduction in security and nurse specialising (reducing the risk and incidence of harm to the patient by keeping the patient within sight at all times) costs, a change in skill mix, and operational efficiencies from the new facility. This is partially offset by increased expenditure on community providers and the impact of depreciation.
17. As at June 2020 MidCentral DHB had cash on hand of \$25.0 million and an undrawn overdraft facility of \$30.1 million (based on the approved 2019/20 Plan). Long-term cashflow forecasts from the DHB indicate that they will remain in a positive operating cash position for at least the next two years. Officials believe it is feasible for the DHB to self-fund the additional \$5.4 million for this Mental Health Unit Single Stage Business Case.

Timeframes and plans for delivery



18. MidCentral DHB is confident that there are suppliers in the market with the capacity and capability to deliver its preferred option build by 2022. At this stage Covid-19 implications are not currently known, but officials will report back to Ministers if there are any changes to these dates.
19. The management cases, new project governance structure for processes and responsibilities is planned to be through the Mental Health Unit Steering Committee. Reporting will be via the Senior Responsible Officer (the General Manager, Finance and Corporate Services) to the Board, through MidCentral DHB's existing governance structure. Manawhenua Hauora would be kept informed of progress.
20. The change management process is underway.
21. Key milestones and approximate timeframes include: procurement of the design team in October 2020; procurement of main contractors in July 2021 and; construction and fitout complete in August 2022.

Analysis

Build, location and beds

22. Officials support the replacement of the current facility with a new build facility. The current facility is not fit for purpose. The facility scored poorly against the nine principles assessed as part of the National Asset Management Plan's Clinical Facility Fitness for Purpose assessment undertaken in April 2019. The current facility size does not comply with the Australasian Health Facility Guidelines and the overall layout of the unit does not support a contemporary model of care and does not enable, and support basic requirements for satisfactory care, such as whānau involvement.
23. The proposed site location is appropriate and allows for potential future expansion if required. The DHB advises that the location is consistent with its Hospital Strategic Property Plan.
24. Information provided by MidCentral DHB has confirmed the proposed capacity. Growth was based on a demand rate of 3.5 percent, assuming 9 percent of these service users would require inpatient care (hospital and community-based). Based on 85 percent occupancy, 32-36 beds would be required. This was modelled as 28-32 in a hospital-based facility and 4-6 in community-based beds. This appears appropriate.

Continuum of care

25. As for most mental health investments, success for this service will be reliant on the entire continuum of care.
26. The new Uru Rauhi Relational Model of Care (2019-2023) for MidCentral DHB mental health services focuses on out-of-hospital prevention, promotion, and acute alternative services and primary/community approaches. This work will need to be adequately resourced. It appears there are significant challenges identified in the current model of care, and the facility will address only a small portion of the issues identified (those relating to the poor inpatient environment).



Costs

27. MidCentral DHB updated its cost estimates for this project in May 2020 to factor in market changes. Construction and supply costs have risen because of several environmental factors impacting on construction generally and most recently the COVID-19 pandemic. The estimated capital cost, including contingency, has risen from the previous working budget of \$30 million to approximately \$35.4 million, to accommodate this updated understanding. The project may have capital charge funding implications in out years, which will be considered in future Budgets.
28. MidCentral DHB has indicated that risk management strategies will be adopted, and value management will occur to deliver the project within budget.
29. Officials recommend up to \$30 million of Crown funding for this project to be approved and up to \$5.4 million to be funded by the DHB. Officials note the intention to value manage with the potential for cost savings to be achieved by a more efficient design and we consider the project deliverable within the approved budget (see appendix one for costs of comparable projects).

The design

30. Officials support the design elements that support flexible uses of spaces (flexible pods). This enables environments to reflect individualised care based on variables such as age, gender or acuity. Also noted was the recent experience with the COVID-19 pandemic highlighting the importance of flexible use of space to support isolation and good infection control practices.
31. The Ministry is pleased to see features of the design that support de-escalation and self-regulation without the use of seclusion and other restrictive practices. As the design progresses, we expect to see more thinking on ensuring the least restrictive care.
32. Officials also noted the intention to be reflective of Te Ao Māori and incorporate tikanga Māori as determined by Mana whenua. There are opportunities for MidCentral DHB to learn from the work undertaken by Hauora Tairāwhiti DHB about embedding this in its process and design.
33. The experience of this mental health business case and build is feeding into other and future mental health build planning and the Ministry of Health's Health Infrastructure Unit work on standardisation of facilities.

Next steps

34. This being the final stage for the approval of the MidCentral DHB mental health unit project, the DHB will be managing the build, with support from the Health Infrastructure Unit.
35. A Health Infrastructure Unit official will be part of the project governance group to ensure close oversight and alignment with other mental health capital projects and the Ministry will monitor progress through the DHB's quarterly reporting requirements.



36. The Health Infrastructure Unit is increasing support for all elements of the investment cycle. For mental health investments, the support includes:
 - a. employment of a Project Director to support the portfolio of mental health builds
 - b. specific business case guidance for mental health investments, which are being developed
 - c. further assessments of mental health units, which are underway as part of the National Asset Management Programme.
37. The combined impact of this work will be clearer expectations and a more nationally consistent approach as projects progress, and for future business cases.
38. MidCentral DHB intends to commence its build by July 2021 and have construction and fitout complete by August 2022. At this stage COVID-19 implications are not known, but officials will report back to Ministers if there are any changes to these dates.

ENDS.



Appendix 1: Costs of Recent Acute Adult Mental Health Projects

Note that the information in the table below provides only a high-level comparison. The costs per bed and per square metre are crude measures and do not account for specific factors such as differing enabling works, demolition, site requirements, decanting costs and facility size impacts. In addition, for the projects underway, these are budgeted costs, and it is not clear what final costs will be following value management, tendering, and through to completion.

Costs of Recent Acute Adult Mental Health Projects							
DHB	Business Case Status	Beds	GFA Building Area (sqm)	Sqm/bed	Total Estimated Cost (\$m)	\$/bed (\$m)	\$/sqm
out of scope		s9(2)(f)(iv)					
Tairāwhiti	Awaiting Single Stage Business Case Approval						
Lakes	Awaiting Single Stage Business Case Approval						
Waikato	Awaiting IBC Endorsement						
MidCentral	Awaiting Single Stage Business Case Approval						
out of scope							

Hon Chris Hipkins

MP for Remutaka

Minister of Education

Minister of Health

Minister of State Services

Leader of the House

Minister Responsible for Ministerial Services



Mr Brendan Duffy
Chair
MidCentral District Health Board
s9(2)(a)

Dear Brendan

MidCentral District Health Board Mental Health Unit Single Stage Business Case

The Minister of Finance and I have considered your request for approval of the Mental Health Unit Single Stage Business Case redevelopment project.

I am pleased to advise that we have approved this project at an estimated cost of \$35.4 million, with maximum Crown equity contribution of \$30 million. MidCentral DHB will need to self-fund the additional costs of \$5.4 million for the required investment.

Noted are the intentions to be reflective of Te Ao Māori and incorporate tikanga Māori as determined by Mana whenua. Recommended are opportunities for MidCentral DHB to learn from the work undertaken by Hauora Tairāwhiti DHB about embedding this in your process and design.

The Ministry of Health's Health Infrastructure Unit support is recommended in the next stages of your project.

The standard approval conditions that apply to this project are detailed in Appendix One. In addition, this approval is conditional on the DHB ensuring appropriate management of its financial position in order to deliver the Mental Health Unit redevelopment project.

This project will provide a safe and appropriately therapeutic facility for your staff, patients and whānau. I look forward to its completion.

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

Yours sincerely

Chris Hipkins
Minister of Health

cc: Kathryn Cook, Chief Executive, MidCentral DHB
kathryn.cook@midcentraldhb.govt.nz
Neil Wanden, General Manager, Finance & Corporate Services, MidCentral DHB
Neil.Wanden@midcentraldhb.govt.nz

Appendix One: Approval Conditions – Mental Health Unit Redevelopment

The conditions of this approval are:

Pre-build

1. The DHB will supply to the Ministry of Health the preliminary and detailed design documents and the associated quantity surveyor reports, and the information in these reports will be to the satisfaction of the Ministry of Health.
2. The DHB will undertake an independent review of the preliminary design and the outcome of this will be provided to the Ministry of Health.

Quarterly Project Assurance and Post Completion Reporting

3. The DHB Chair/Senior responsible officer will submit quarterly project assurance reports for this project to the Ministry of Health. A template is available from the Capital Investment Management team. The quarterly assurance report will include the following:
 - i) Progress against project milestones.
 - ii) Confirmation of project costs against the approved budget, including a project cash flow.
 - iii) Notification of significant and/or material risks.
 - iv) Change management process, including health services and models of care.
 - v) Details of any project scope change (note: material scope changes may require the approval of the Minister of Health).
 - vi) DHB Board assurance that the Board has considered the quantity surveyor and project director's reports.
 - vii) Any other information as requested by the Ministry of Health.

Failure to submit the monthly assurance report in a timely manner will result in cessation of access to Crown funding.
4. At the completion of the project the DHB is to submit a completed Post Implementation Review. A Post Occupancy Evaluation is to be submitted twelve months after the commissioning of the building, including progress on benefits realisation/monitoring.

Funding

5. The project budget is not to exceed \$35.4 million for the mental health unit.
 - i) The Crown will provide up to \$30 million towards the project and the additional costs of \$5.4 million will be funded by the DHB.
 - ii) A cash profile for the draw-down of equity is to be submitted and agreed with officials prior to any drawdowns. The DHB will be expected to manage expenditure within the agreed cash profile or provide timely notification of any re-phasing as part of the monthly assurance reports.
 - iii) The final draw-down of equity will be made no later than twelve months after project completion or the remaining funds will be forfeited.
 - iv) Any surplus capital funds from this project are to be returned to the Crown.

END.



Hauora Tairāwhiti Mental Health Single Stage Business Case

Background

1. In June 2019 the former Minister of Health announced funding of between \$15 million and \$20 million for a new inpatient mental health and addiction facility at Gisborne Hospital (HR20190998 refers).
2. The current facility has eight beds and provides 24/7 inpatient care. The building is 35 years old and it is not fit for purpose as identified by the Director of Mental Health, the Chief Ombudsman, and in the clinical facility assessment as part of the National Asset Management Programme.

Hauora Tairāwhiti

3. Hauora Tairāwhiti covers an area from the East Cape in the north to the Wharerata ranges in the south. It has a population of around 49,400 and is the third smallest district health board (DHB).
4. The DHB's population has a young average age and it has the highest proportion of Māori of any DHB. Two-thirds of the population live in the highest deprivation areas, compared to around 30 percent nationally.

Proposed Investment

Key Drivers

5. The key drivers for investment include the following.
 - Layout and environment create safety risks (physical and wairua) for whānau needing care.
 - Poor quality physical environment that doesn't support the DHB's values, doesn't enhance mauri, and may have negative impacts on patients. The unit has little daylight, and decommissioned seclusion rooms are sometimes used as bedrooms.
 - Inflexible spaces and approaches to care mean that the DHB cannot respond to different needs in the way it would like to. There is no high dependency area and there is no ability to segregate youth from adults.



Expected Scope

6. The DHB considered eight long list options in total – one refurbishment option and seven new build options. These were considered against investment objectives and multi-criteria including cultural, community, environment, design, cost, construction, operation and strategic location.

s9(2)(f)(iv)



DHB Preferred: Option 1b – demolish and new build on the existing site

8. Of the two options taken to short list, the DHB favoured Option 1b in further multi-criteria analysis of sites. Option 1b offers:
 - a more therapeutic natural environment (green outlook, sunny aspect and country views)



- is connected to the main hospital via the existing corridor
 - fits within the site masterplan
 - an estimated capital cost of \$18.8 million.
9. The preferred option requires decanting the service to another building during construction. To achieve this, the DHB proposes building part of the facility (6 bedrooms, patient social and therapy spaces and clinical support) to the east of the existing building while the unit remains operational. On completion of this first stage, the unit will decant into it and the existing would then be demolished and the remainder of the new build constructed. The DHB has allocated s9(2)(j) (incorporated within the \$18.8 million budget).
10. Officials support progression of the DHB's preferred option. This option fits within the financial envelope, adequately addresses the problem, and fits within Gisborne Hospital's site masterplan. Further work is required to understand the decanting options proposed by the DHB. The DHB has identified an alternate site if the preferred site is not possible for any reason.

Current and Future state

	Current State	Future State (to 2033)
Beds	8 beds (plus three decommissioned seclusion rooms used as bedrooms as required).	s9(2)(f)(iv)
Beds per 10,000 population	1.61 beds	
Building	The facility is a 35-year-old single level building with an internal courtyard. The structure consists of long concrete masonry walls, and reinforced concrete frames. It is connected to the existing ward block by a short, covered walkway.	The new build is a flexible modular grid (with the ability to interchange elements during design phase). It is consistent with the mastersite plan for Gisborne Hospital and Kaupapa Māori health underpins all the design elements.
GFA	Existing gross (internal) floor area 1335m ²	s9(2)(f)(iv)
Sqm per bed	120m ² per bed	

11. The bed modelling is premised on 70 percent occupancy. This is a conservative approach based on the small size of the facility. The modelling shows that the planned ten bed facility will be (more than) sufficient to meet demand until 2038. The DHB has noted that during COVID-19, alternatives to acute inpatient beds were found which significantly decreased required inpatient capacity. This has not been fully reflected in the bed modelling.



THE TREASURY
Kaitiaki Take Kōwhiri Raua



12. The design identified by the DHB appears generous in size. While some of this is due to the disproportionate non-clinical space requirement for small units, choices relating to the proposed model have also driven GFA allocations. There may be opportunities to value manage in the next stages, which the Health Infrastructure Unit will support the DHB to do. Officials will focus on working with the DHB to bring the cost per bed closer to the national average, while considering the differing local needs for this population, and also the differences when building a much smaller unit.
13. Officials note that the information in the table below provides only a high-level comparison. The costs per bed and per square metre are crude measures and do not account for specific factors such as differing enabling works, demolition, site requirements, decanting costs and facility size impacts. In addition, for the projects underway, these are budgeted costs, and it is not clear what final cost will be following value management, tendering, and through to completion.

Costs of Recent Acute Adult Mental Health Projects							
DHB	Business Case Status	Beds	GFA Building Area (sqm)	Sqm/bed	Total Estimated Cost (\$m)	\$/bed (\$m)	\$/sqm
out of scope		s9(2)(f)(iv)					
Tairāwhiti	Awaiting Single Stage Business Case Approval						
Lakes	Awaiting Single Stage Business Case Approval						
Waikato	Awaiting IBC Endorsement						
MidCentral	Awaiting Single Stage Business Case Approval						
out of scope							

14. The Health Infrastructure Unit is in the process of developing business case guidance, including specific guidance for mental health facilities. It is also in the process of developing standard facility designs and standards for mental health facilities. These two key pieces of work will be informed by learnings taken from previous projects, the ones in train, and information from the National Asset Management Plan work. This guidance will help set clearer expectations and provide a more nationally consistent approach as projects progress, and for future business cases. A health report with further information



on work underway in the Health Infrastructure Unit has recently been sent to your office (HR20201073).

15. Officials support the DHB's design approach which focuses on flexibility of the unit.

Model of Care

16. Although the future model of care is not yet complete, there is sufficient information in the business case to indicate that this is developing in line with the direction set out by He Ara Oranga, and with Māori thinking and input front and centre, which is particularly important for this population.

Māori Health Directorate Review

17. Officials from the Ministry's Māori Health directorate reviewed this business case against He Korowai Oranga - Māori Health Strategy and Pae Ora¹. Māori are one of the key stakeholders in this project, particularly as the DHB has a high Māori population and two thirds of those admitted to the unit in the last five years are Māori tāngata whaiora².
18. The DHB has ensured Māori, thinking, involvement and input was incorporated into the design and function of the unit right from the start of the process.
 - The architects have designed the building to replicate the facilities and functions that one would see and experience on a marae.
 - Thought has been given to the importance of the environment and how functions of the building can support tāngata whaiora and their whānau. Spaces allow a connection to nature and recognise how environments are important to nurture the mauri and wairua.
 - Wide consultation has been undertaken which includes strong Māori involvement.
19. The three investment objectives fit within a kaupapa Māori framework and a whānau centred wellness model. Although the model of care is still in development, there is enough information in the business case to provide comfort that the key elements for the model of care are present and these will include incorporation of kaupapa Māori health components.

Funding

20. The DHB is seeking Crown funding for the full capital costs of this project, which Quantity Surveyor's Rider Levett Bucknall has estimated at \$18.8 million. The Capital Investment Committee would like the DHB to value manage in the next stage of this

¹ Pae Ora affirms holistic Māori approaches strongly supporting Māori led solutions and Māori models of health and wellness.

² Tangata whaiora This term is used to refer to the person who is the subject of care, assessment and treatment processes in mental health.

'Tangata whai ora' means 'a person seeking health.'



project, to a target budget of \$16 million. Officials note however that the requested budget of \$18.8 million is within the scope of the Government's announcement of up to \$20 million for this project.

21. The DHB has incorporated a contingency of 15 percent of the costs and factored in 10 percent of cost escalation (primarily inflation pressures) between now and the commissioning of the building.
22. Depreciation of approximately \$5 million will be incurred for the ten-year period from 2020/21 to 2029/30. Capital charge is assumed to be offset by capital charge relief, in line with current system settings.

Financial Performance

23. Hauora Tairāwhiti has recorded ongoing deficits between 2015/16 and 2018/19, although last year's result was exacerbated by the Holidays' Act pay settlement.
24. The DHB's ability to absorb unexpected cost increases is limited. Furthermore, if the DHB continues to report deficits in 2020/21 and the outyears, the DHB will end up having to absorb the unfunded element of capital charge.

Risk

25. The main risks to this project include the following.
 - Project structure and management case – DHB's ability to deliver. This project is large relative to the DHB size, and the DHB has not had recent experience in delivery.

• s9(2)(f)(iv)



The DHB has also assumed that it will be receiving 100 percent relief on the capital charge payable on the new investment. If the DHB continues to report deficits in 2020/21 and the outyears, the DHB will end up having to absorb the unfunded element of capital charge.

- b. the DHB has indicated that clinical staffing levels will remain the same. Officials do not think this is correct, given increased bed numbers. No overhead costs have been factored into the costing model as the assumption is that the new building will be more energy efficient and



modern. This will need to be looked at more closely in the next stage.
Any increase in operating costs will exacerbate the DHB's deficit position.

- The availability of a main contractor and sub-contractors.
 - The DHB has noted that this facility represents a significant increase in construction activity for Gisborne.
26. The Ministry and the Capital Investment Committee consider that significantly increased support provided by the Health Infrastructure Unit will be required to best mitigate the above risks. The Health Infrastructure Unit has recently appointed a Project Director, who will focus on providing guidance and support on the portfolio of mental health capital projects. The Project Director will provide expertise around structure and governance, as well as specific project expertise for a mental health construction project. The added benefit of other mental health projects currently in the business case process will allow Officials to share learnings across all the projects with DHBs. Increased Health Infrastructure Unit resourcing is expected by December 2020, which will also increase engagement frequency with the DHB on this project.
27. The standard requirement for quarterly assurance reporting for this project will also provide visibility of mitigations in place and the status of the above and any additional risks and issues. Officials can escalate these to Ministers if required.

Timeframes and plans for delivery

28. The DHB propose to procure using separate contracts for construction and design in order to provide control and certainty over scope and contract value, and a larger pool of potential tenderers.
29. The DHB proposes governance and management arrangements that include an internal governance group and a project control group reporting up to the DHB Board. Following endorsement of the Single Stage Business Case the DHB plan to confirm the project control group membership and develop a detailed project management plan.
30. There is no detailed construction timetable at this stage of the project. The DHB has provided estimated timing for high level milestones in the table below. Officials deem the timeline achievable for this DHB to deliver to and note that the start date is not yet defined due to its dependency on business case approval processes.

Timeline for high level milestones

Stage	Sub-stage	Duration	Start date	End date
Inception	Confirm project governance structure and membership	1 month	Month 1	Month 1
	Procure design consultants	8 weeks	Month 1	Month 2
Design	Preliminary design: 3 User Groups in 3-weekly cycle	10 weeks	Month 3	Month 5
	Developed design: 3 User Groups in 3-weekly cycle	10 weeks	Month 5	Month 7



	Detailed design: Drawings for consent/tender/construction	12 weeks	Month 8	Month 10
Contractor procurement		4 months	Month 11	Month 14
Construction	Consenting and construction period	15 months	Month 15	Month 29
	Complete build and handover for certification	1 month	Month 30	Month 30

Next Steps

31. Officials recommend the joint Ministers approve the single stage business case and preferred Option 1B, a new build on the existing site. The DHB will be managing the build, and officials recommend that the approval be subject to increased involvement of the Health Infrastructure Unit in the next stages of project delivery. The Health Infrastructure Unit will focus on supporting the DHB to value manage the build down where possible providing guidance and sharing learnings with the DHB as officials support the progression of multiple mental health capital projects across the country. A Health Infrastructure Unit official will also be part of the project governance group to ensure close oversight of the project.

ENDS.

Hon Chris Hipkins

MP for Remutaka

Minister of Education

Minister of Health

Minister of State Services

Leader of the House

Minister Responsible for Ministerial Services



Ms Kim Ngarimu
Chair
Hauora Tairāwhiti
kim@taua.co.nz

Dear Kim

Hauora Tairāwhiti Mental Health Single Stage Business Case (SSBC)

The Minister of Finance and I have considered your request for approval of your Mental Health SSBC. I am pleased to advise that we have approved this project with a maximum Crown equity contribution of \$18.8 million.

The standard approval conditions that apply to this project are detailed in Appendix One. In addition, this approval is conditional on:

- your DHB ensuring appropriate management of its financial position
- increased involvement by the Ministry of Health's Health Infrastructure Unit as this progresses, to value manage costs down where possible and to support your DHB through representation on the project's governance group.

This project will support improved mental health patient care and outcomes for your community, and I would like to acknowledge and commend your DHB for clearly ensuring Māori, thinking, involvement and input into the entire business case process to date. I look forward to its completion.

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

Yours sincerely

Hon Chris Hipkins
Minister of Health

cc: Jim Green, Chief Executive, Hauora Tairāwhiti

Appendix One: Approval Conditions

The conditions of this approval are:

Pre-build

1. The DHB will supply to the Ministry of Health the preliminary and detailed design documents and the associated quantity surveyor reports, and the information in these reports will be to the satisfaction of the Ministry of Health.
2. The DHB will undertake an independent review of the preliminary design and the outcome of this will be provided to the Ministry of Health.

Quarterly Project Assurance and Post Completion Reporting

3. The DHB Chair/Senior responsible officer will submit quarterly project assurance reports for this project to the Ministry of Health. A template is available from the Capital Investment Management team. The quarterly assurance report will include the following:
 - i) Progress against project milestones.
 - ii) Confirmation of project costs against the approved budget, including a project cash flow.
 - iii) Notification of significant and/or material risks.
 - iv) Change management process, including health services and models of care.
 - v) Details of any project scope change (note: material scope changes may require the approval of the Minister of Health).
 - vi) DHB Board assurance that the Board has considered the quantity surveyor and project director's reports.
 - vii) Any other information as requested by the Ministry of Health.Failure to submit the monthly assurance report in a timely manner will result in cessation of access to Crown funding.
4. At the completion of the project the DHB is to submit a completed Post Implementation Review. A Post Occupancy Evaluation is to be submitted twelve months after the commissioning of the building, including progress on benefits realisation/monitoring.

Funding

5. The project budget is not to exceed \$18.8 million for the mental health unit.
 - i) The Crown will provide up to \$18.8 million towards the project, in Crown capital equity from the Health Capital Envelope.
 - ii) A cash profile for the draw-down of equity is to be submitted and agreed with officials prior to any drawdowns. The DHB will be expected to manage expenditure within the agreed cash profile or provide timely notification of any re-phasing as part of the monthly assurance reports.
 - iii) The final draw-down of equity will be made no later than twelve months after project completion or the remaining funds will be forfeited.
 - iv) Any surplus capital funds from this project are to be returned to the Crown.

END.

Delivering on Budget 2019 Commitments

Portfolio Vote Health
Title of Initiative Expanding Access and Choice of Primary Mental Health and Addiction Support
Budget Budget 2019

Funding Approved at Budget

Operating (\$m)	2018/19	2019/20	2020/21	2021/22	2022/23 & outyears
	-	48.138	97.217	133.630	176.089

Capital (\$m)	18/19	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
	-	-	-	-	-	-	-	-	-	-	-

Funding Spent to Date

	2017/18	2018/19	2019/20
Operating (\$m)	-	-	2.392
Capital (\$m)	-	-	-

Outputs purchased

What outputs has the funding spent to date purchased? Do these differ from what was originally described?

Budget 2019 included \$455.074m over four years for expanding access to, and choice of, primary mental health and addiction services.

The Ministry of Health is leading the implementation of this Initiative, and to date, approximately \$15 million of the \$48.138 million available for expenditure in the current financial year has been allocated for investment.

The Ministry is expecting to have all the funding provided for this initiative in 2019/20 allocated by year end although this is dependent on the success of a number of RFP processes over the next few months and the timeframes required by the successful bidders to establish their services.

The Ministry will provide updates on progress in allocating the funding, and full year forecasts of actual expenditure once the RFPs have been completed and there is more clarity around the timing of service delivery. This will be provided as part of the monthly reporting to Cabinet Priorities Committee. The next report to the Cabinet Priorities Committee is due to be considered by the Committee at the 5 November meeting. This information provided in this template is consistent with that reporting.

Investment in this first year spans initial service delivery, workforce development and engagement and enablers.

Allocation	Funding available	Funding committed	Portion of committed budget spent as at 30 Sept
Access and Choice – Service delivery	\$25.000m	\$7.005m	\$1.570m
Access and Choice – Engagement and enablers	\$9.250m	\$1.806m	\$0.472m
Access and Choice – Workforce development	\$13.888m	\$5.880m	\$0.350m
TOTAL	\$48.138m	\$14.691m	\$2.392m

Service delivery (\$25.000m)

- \$7.005m of the funding available has been committed in contract and includes the following:
 - \$6.280m to sustain existing primary mental health and addiction services to ensure support continues to be available, while new responses are being designed.
 - \$0.725m for the expansion of hospital chaplaincy services to provide spiritual support for people with mental health and wellbeing needs.
- Of this, \$1.570m has been distributed to providers.
- \$17.995m is in the procurement phase.
 - An initial request for proposals (RFP) has now closed relating to expanding integrated primary mental health and addiction services in general practice settings. The evaluation panel meets on 6–7 November 2019 with the expectation that new services will start between January and June 2020.
 - Two further RFPs have been released for the expansion and replication of existing mental health and addiction services for both Māori and Pacific. These RFPs close on 28 November 2019.
 - Further RFPs for new services for Māori, Pacific and youth are scheduled for early in 2020.
- The Ministry is currently on track to commit the remaining funds in contract by the end of the financial year, with the expectation that service delivery across contracts will commence in the current financial year. Funding commitments and actual spend will be dependent on the outcomes of the RFP processes, noting that three RFP processes are planned for the beginning of 2020. Officials will monitor this closely and keep Ministers updated on the forecast spend.

Engagement and enablers (\$9.250m)

- \$1.806m has been committed from the available funding for this year.
- The Ministry has started a collaborative design process with Māori to develop Kaupapa Māori primary and community mental health and addiction service models.
 - During September and October 2019, the Ministry held marae-based hui in Whangarei, South Auckland, Rotorua, Palmerston North and Christchurch. In addition to these, officials were invited to hui with various other groups across New Zealand.
 - Following confirmation of the outcomes of the hui with participants, officials will make the summary reports available on the Ministry of Health website. Thematic analysis will be undertaken by external and independent Māori advisors in November 2019. These key themes will be used to inform the key components of the new services the Ministry will fund in 2020.
- Upcoming Pacific Fono workshops to design Pacific service models will form the basis of an early 2020 RFP; youth engagement in collaboration with the Ministry of Youth Development will inform the RFP for youth services.
- Investment committed to date also supports the Ministry's capacity and capability to implement the rollout, including partnering with Māori and incorporating the voices of lived experience. This investment has included bringing on dedicated staff to support the rollout and to represent Māori and Lived Experience views.
- The Ministry is scoping IT requirements to support consistent data collection across the rollout of this initiative.
- The Ministry is currently on track to commit all funds in contract by the end of the financial year.

Workforce development (\$13.800m)

- Key to the successful development of new services and transformation of the sector is both supporting existing workforce and growing new roles.

- The first tranche of investment has focused on up-skilling and growing current workforces, including a particular focus on improving the cultural competency of mental health and addiction workforces.
- A total of \$5.880m of funding available in 2019/20 has been committed to date through the first tranche of investment, as follows:

Initiative	Funding	Workforce Impact (output)
Entry to Nurse Speciality Programme (NESP) for new graduate nurses wanting to work in mental health and addiction services	s9(2)(i)	An additional 77 places per annum
Post-entry clinical training for mental health and addiction practitioners, including cognitive behavioural therapy		Additional 75 places in year one increasing to 100 places from year two
Mental health and addiction credentialing for primary health care nurses, provides upskilling on working with people with mental health and addictions needs		Up to 60 primary care nurses in Year 1, and increasing to up to 130 per annum by year four
Pacific Mental Health Scholarships to grow the capacity and capability of the Pacific mental health and addiction workforce		Up to 30 additional places per annum
Engaging Pasifika Cultural Competency Programme to support the development of primary, community, mental health and addiction workforce		Up to 450 additional places per annum
Cultural competency for Māori and non-Māori professionals to support the development of primary, community, mental health and addiction workforce		400 frontline professionals per annum working in Māori communities (NGOs & community groups)
Te Rau Puawai – a bursary programme providing student teaching/mentoring support and administration to address the shortage of Māori health professionals working in mental health.		Additional 46 students in 2020
Mental health literacy (MH101) programme for people who work in community organisations who are likely to come into regular contact with individuals experiencing mental distress		Additional 120 workshops per annum, and approximately 2,000 participants per annum
Psychology internships		Additional eight psychology internships per annum

- Further procurement is planned over coming months, and the Ministry is on track to fully commit all funds by financial year end.
- The next tranche of workforce development investment will focus on building new workforces, including health coaches and health improvement practitioners, and will further build the peer and support

workforces. These workforces will be critical for the delivery of enhanced primary mental health and addiction services.

Outcomes

Has the intervention achieved the intended outcomes?

The Ministry is in the very early stages of a proposed 5-year rollout. There is an expectation that the activities to date will contribute to the achievement of intended outcomes, namely increased access and choice of primary mental health and addiction support and improved mental wellbeing of those with mild to moderate mental health and addiction needs. However, it is too early to measure the actual achievement of those outcomes.

Initial investment has supported integrated primary mental health and addiction services in 22 general practice sites across seven district health board regions, as well as a Kaupapa Māori primary mental health and addiction programme in Tairāwhiti. The reporting on this initiative is developmental, given these are new contracts, but early indications are positive, with 5,656 sessions delivered to over 3,000 people in three months. Officials are working with providers to improve data collection and quality.

By the end of 2019/20, Officials expect that the Ministry will have:

- Provided funding to sustain previously unfunded existing primary mental health and addiction initiatives
- Begun the rollout of integrated services in some regions
- Expanded existing Māori and Pacific primary mental health and addiction services
- Contracted new Māori and Pacific primary mental health and addiction services
- Contracted new youth-specific services
- Provided training to upskill and support the existing workforce and begun to build new workforces needed for the national rollout of new services
- Engaged with Māori, Pacific and youth to inform work on designing new services, with ongoing engagement in this work programme
- Developed the IT infrastructure to support new services.

Next steps

Work in the next few months will focus on:

- Evaluating current RFPs and commencing contracting processes
- Issuing further RFPs in 2020 for both services and workforce development
- Undertaking Fonos/workshops to collaboratively design Pacific service models.

Officials' focus from January 2020 will continue to be on the successful implementation of new and expanded services that are determined from the current RFP processes. As well as this, the Ministry will have three new RFP processes released at the start of next year.

Relevant Excerpts from Baseline Updates**March Baseline Update 2020**

B.9

B9. Expanding Access and Choice of Primary Mental Health and Addiction Support – As part of Budget 2019, additional funding was provided to invest in this initiative, which included \$25 million for service delivery.

A significant programme of work is underway to roll out this initiative, including a 3-phase process to invest in service delivery: sustaining existing initiatives, procurement processes for expanding or replicating existing models (across GP settings, kaupapa Māori, Pacific and youth settings) and investing in new services (informed by collaborative design).

The Ministry of Health expects to have committed the total value of 2019/20 service delivery funding in multi-year contracts by 30 June 2020, along with a significant portion of 2020/21 funding. However, the distribution of funding will extend into the following financial year (reflecting the phasing of service delivery), so an actual expense transfer is sought. The full amount appropriated in Budget 2019 will be committed over four years and is needed to achieve the reach and coverage intended with the roll-out of this initiative. Procurement processes undertaken this year have provided insights into potential future investment options, which will inform outyear spending and enable the Ministry to accelerate investment from next year. As such, the transfer of 2019/20 funding is not expected to impact the timing of delivery in outyears.

C.7

C7. Expanding Access and Choice of Primary Mental Health and Addiction Support – As part of Budget 2019, this initiative allocated additional funding to Health Workforce Training and Development. The awarding of contracts for the implementation of this initiative has taken longer than expected and some contract deliverables may be deferred to 2020/21.

C.16

C16. Expanding Access and Choice of Primary Mental Health and Addiction Support – As part of Budget 2019, \$4 million was provided to fund enablers to support implementation of this initiative. The primary focus this year has been on sustaining and investing in new services. Planning to support sector change capacity, including for regional coordination teams, is underway, and discussions with lead DHBs are ongoing. The Ministry of Health anticipates the funding to be committed by the end of the financial year; however, due to the phasing of establishing these enablers, and a preference for sustained investment rather than upfront funding, it is likely that distribution of some 2019/20 funding will extend into future years. An in-principle transfer is sought to align funding with anticipated service delivery over multi-year contracts. The full amount appropriated in Budget 2019 will be committed over four years and is needed to achieve the transformation intended with the rollout of this initiative.

C.17

C17. Promoting Wellbeing in Primary and Intermediate Schools – Funding for this initiative was approved in Budget 2019. Funding has been front-loaded to allow for the development of new, or the enhancement of existing, wellbeing promotion resources. The Ministry of Health anticipates that the majority of this funding will be allocated and distributed this financial year; however, there may be delays in contract agreements and payments for a portion of funding.

March Baseline Update 2021

B.8

B8. Mental Wellbeing Support for Parents and Whanau– Enhanced Support Pilots (ESP) – Time-limited funding was provided in Budget 2019 for the pilots and the funding ends in 2022/23. The start dates for these pilots were delayed from 1 July 2020 by between six to nine months due to COVID-19 restrictions and workforce reprioritisation to support the COVID response and recovery. Funding transfer from 2020/21 to 2023/24 is sought to enable delivery across the full three years originally intended for the pilots.

B.21

B21. Expanding Access and Choice of Primary Mental Health and Addiction Support – As part of Budget 2019, the Ministry received additional funding across four years to build a strong, skilled and sustainable mental health and addiction workforce to support system transformation. Investment in the workforce is essential to successfully establish new frontline primary and community-based youth, Pacific and Kaupapa Maori services. As these new frontline services are established nationally over the next year, investment in training in new skills and competencies for both registered and non-registered workforces will accelerate. It is anticipated that the full amount appropriated in Budget 2019 is required to grow and develop these new workforces if we are to meet service delivery expectations. Any funding transfers will be committed in outyears as the roll-out of services also accelerates.

A large programme of work is underway to grow and upskill the workforce, with an initial focus on the registered workforce as these take the longest time to train. Where possible, the sector has adapted rapidly to COVID-9 related challenges with the introduction of online training and resources. However, delays to procurement processes and service delivery have impacted the sequencing and rollout of investment in workforce development this year. As distribution of funding will extend into the next financial year, an expense transfer of \$4 million is requested to make sure funding is available next year.

B.23

B23. Expanding Access and Choice of Primary Mental Health and Addiction Support - Enablers –

The Budget 2019 investment to Expand Access and Choice of Primary Mental Health and Addiction Support included funding for Enablers to support the national rollout. This investment is intended to support local collaborative design of integrated mental health and addiction services, aligned to the recommendation in He Ara Oranga; to establish teams to support implementation of new services as they are rolled out; and to improve provider capability and outcomes measurement. Due to COVID-19 demands on providers and COVID-related delays in implementing some Access and Choice services, the Ministry has delayed this investment to better align with the establishment of new services. The bulk of the Enablers activities will now take place in 21/22 and 22/23 and this expense transfer is requested.

B.24

B24. Expanding Access and Choice of Primary Mental Health and Addiction Support – Service Delivery – Budget 2019 provided \$70.781 million in 2020/21 for the 'Expanding access to and choice of primary mental health and addiction support - Service delivery' initiative. This funding supports the rollout of new services across four streams - integrated general practice, Māori, Pacific and youth. There have been delays with procurement of Māori, Pacific and youth services due to COVID-19; however, the integrated general practice workstream has been able to progress more quickly than originally modelled. An expense transfer is requested to continue the growth of integrated services at this pace in 2021/22 and 2022/23 otherwise progress will slow and momentum will be lost, impacting on implementation capacity in outyears. An actual transfer is requested to provide certainty of funding availability for providers to begin delivery from 1 July 2021.

I have instructed the officials to reprioritise a portion of currently unallocated Budget 2019 funding related to 2020/21 (up to \$4 million) to maintain the delivery of the Piki programme in 2021/22. Piki is a pilot providing integrated therapies to 18-25-year-olds in the Greater Wellington area and funding for this programme ends in June 2021, with a final evaluation expected in March 2021.

A component of this proposed transfer will help fund Piki in 2021/22, as the Piki initiative is aligned with the intent of this broader initiative.

B.25

B25. Improving Support for People Experiencing a Mental Health Crisis – Budget 2019 provided \$2 million per annum to improve support for people experiencing a mental health crisis. Within this initiative, the Ministry of Health is investing in a peer-led crisis alternative pilot, which was originally planned to conclude in 2022/23. The pilot was expected to start within the first three months of the 2020/21 year, however this was delayed by six to nine months due to COVID-19 restrictions and workforce reprioritisation required to support the COVID-19 response and recovery. An expense transfer from 2020/21 to 2023/24 is sought to enable delivery across the originally intended three-year period of the pilot.

B.26

B26. Forensic Mental Health Services for Adults – Budget 2019 provided \$3.43 million for forensic mental health services for adults in 2020/21. This initiative included funding for new community FTE to support community-based intensive recovery beds of which there is a nationwide shortage.

Three of the five regions have received funding so far to recruit 19 new FTE to support 10 new community-based intensive recovery beds. The two remaining regions are set to receive funding in 2021/22 and 2022/23. To better reflect the phasing of investment and the level of need across the five regions, a transfer of \$316,000 from 2020/21 to 2021/22 is requested.

C.22

C22. Expanding Access and Choice of Primary Mental Health and Addiction Support – As part of Budget 19, the Ministry received additional funding for four years to build a strong, skilled and sustainable mental health and addiction workforce to support system transformation. A large programme of work is underway to grow and upskill the workforce, with an initial focus on the registered workforce as these take the longest time to train. Where possible, the sector has adapted rapidly to COVID-19 related challenges with the introduction of online training and resources. However, delays to procurement processes and service delivery have impacted the sequencing and rollout of investment in workforce development this year. The full amount appropriated in Budget 19 for workforce development is still required to successfully roll out new frontline services. In addition to the expense transfer of \$4 million [refer to B21 above], an in-principle transfer of up to \$4.500 million is requested to account for the possibility of further COVID-19 related delays.

C.24

C24. Enhancing Primary Addiction Responses – Budget 2019 provided \$3 million in 2020/21 for the 'Enhancing primary addiction responses' initiative. To date, funding has been allocated to community-based initiatives, for example new alcohol and other drug peer support services and 21hanau/family support services. Procurement of elements of this initiative were delayed due to the constraints of COVID-19, and the associated activities are now expected to extend into next financial year. An in-principle expense transfer is sought to reflect this phasing. The transfer will help ensure the service delivery levels that were originally intended over the four-year rollout can be achieved.

C.25

C25. Expanding Telehealth and Digital Supports for Mental Wellbeing –

Budget 2019 provided \$5.2 million per annum for the 'Expanding telehealth and digital supports for mental wellbeing' initiative. To date, funding has been spent on the uplift of call volumes for national telehealth services (e.g. 1737 and the Alcohol and Other Drug Helpline) and on the testing of a new Digital Mental Health and Addiction Services Framework. The remaining funding was intended to procure national digital wellbeing tools tailored for adults and young people. This procurement was delayed due to COVID-19. Detailed planning is well advanced, and the procurement will be progressed in the coming months. An in-principle expense transfer is sought for a portion of funding to cover the potential for procurement and development activities to extend into 2021/22. Funding will cover one-off costs such as security reviews and penetration testing, development and tailoring of resources, and promotion of the tools.

October Baseline Update 2020

B.2

B2 Mental Health and Addictions funding transfer – Budget 2019 saw unprecedented investment in mental wellbeing. This programme of work requires building the missing components of our mental health and addiction system and represents a significant shift in approach to implementation, including the need for community engagement, collaborative design, new procurement approaches and workforce development. The current balance between Non-Departmental funding and Departmental funding does not reflect the actual requirements for delivery of this substantial investment package. The Ministry of Health is seeking to transfer a portion of Non-Departmental funding to Departmental funding to reflect the revised balance of central versus regional/sector responsibility.