



Nelson Hospital Redevelopment

Proposed Approach to Business Case Development

1. Background

1.1 Introduction

Nelson Marlborough District Health Board (NMDHB) is seeking to prepare a business case for the redevelopment of the Nelson Hospital site.

Following consultation with the Ministry of Health and Treasury, the business case is expected to follow the Ministry of Health adapted Better Business Case approach. It is envisaged that this will comprise four separate deliverables: a Strategic Case, an Indicative Business Case, a Detailed Business Case and an Implementation Business Case.

This document outlines the proposed approach to the development of these business cases for the Nelson Hospital Redevelopment. It is intended as an indicative approach, to enable further discussion on the proposed way forward and inform cost estimates.

1.2 Background

Over the last 20 years the Nelson hospital site has undergone several partial re-developments which have seen a number of services provided with more modern facilities. More recently, plans for a full re-development were also completed, but challenges, primarily related to affordability, meant that these plans were not pursued.

Although previous re-developments modernised a number of facilities, the main structures are now very old and some are at significant risk of earthquake damage. Demands on the site are expected to increase as a result of an ageing population and population growth in general. This is driving NMDHB to review the health services and site plans, to enable the development of a business case for the redevelopment of the site to meet the future needs of the NMDHB population.

1.3 Planning to Date

Several pieces of work that have either been completed or are in progress have provided important contextual information which will inform the business case process.

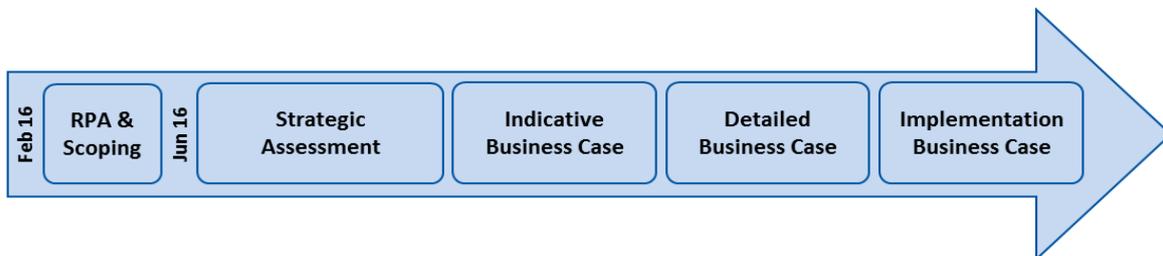
- The Health Services Planning, Health Needs Analysis and summary Facilities Implications Reports completed by Health Partners (now Ernst & Young) have provided initial indications for how NMDHB health services should be designed, clarified the existing pressures on services and projected the future demand if a 'do nothing' approach is adopted.
- Detailed seismic assessments on the main structures (George Manson and Percy Brunette buildings) have highlighted that these buildings, whilst likely to protect life after a major earthquake, are unlikely to be usable after the event.
- Initial work has commenced on business continuity planning and a resumption of services plan is due to be completed by the Emergency Management team in June.
- Work has commenced on a Primary and Community Strategy and this is due to be completed at the end of March 2016.

2. Proposed Approach

2.1 Business Case Development

Given the expected cost and level of interest in the proposed Nelson Hospital redevelopment, NMDHB will be required to produce a business case which meets Treasury and Ministry of Health Better Business Case requirements. This approach requires significant stakeholder engagement, rigorous testing of potential options and determination of a preferred approach which aligns with local, regional and national strategies.

It is envisaged that the business case will be developed in stages:



Risk Profile Assessment (RPA) and Scoping would be undertaken as the first step in preparing for the business case development. The Risk Profile Assessment and Scoping documents (as per Treasury Better Business Case requirements) would be completed and a discussion held between NMDHB and the monitoring agencies (Treasury, National Health Board, GCIO) to confirm the business case pathway and the level of assurance required (e.g. Gateway review).

The **Strategic Assessment** summarises the drivers for investment and the strategic context. It outlines the expected scope of the investment and expected benefits that would arise from successful implementation. The Strategic Assessment seeks approval to proceed to the development of the business case.

The **Indicative business case (IBC)** allows internal decision makers and monitoring agencies the opportunity to evaluate the proposed preferred approach at a relatively early stage, before significant detailed analysis is undertaken. The IBC identifies and evaluates a wide range of options and determines a preferred recommended way forward. The IBC seeks approval to proceed to the Detailed Business Case.

The **Detailed Business Case (DBC)** undertakes detailed analysis on the preferred option. The output of the DBC is a detailed, costed proposal which identifies commercial, procurement and funding approaches as well as outlining the proposed approach to implementation.

The **Implementation Business Case** recommends a preferred supplier and seeks final approval to proceed to enter into contracts to implement the agreed option.

2.2 Business Case Development Project Structure

The proposed project structure outlined would allow control of the delivery of the elements of the business cases, and of the business case documents.

- Senior Responsible Owner: would have overall responsibility for the delivery of the business cases, and would be the key link with NMDHB management.
- Project Manager (Business Case Developer): would report to the Senior Responsible Owner. Responsible for project managing all elements of each business case, managing the specialists and DHB staff contributing to the business case, and for drafting the business case documents.

- DHB resources: would report to the Project Manager for this project. The resource would vary between the cases. The expected requirement is administrative support throughout the project duration, plus:
 - Strategic Business Case: Subject Matter Experts to provide data to substantiate problems and benefits
 - Indicative Business Case: financial accountant, facilities project manager
 - Detailed Business Case: financial accountant, facilities project manager
- Specialist resource: would report to the Project Manager for this project. The specific requirements and the provider(s) of the resource would be determined in discussion with the DHB. The potential requirement is:
 - Strategic Business Case: detailed health needs analysis (by Health Partners), architect, accountant, commercial, QS, QA
 - Indicative Business Case: Service Planning, architect, accountant, commercial, QS, QA
 - Detailed Business Case: architect, accountant, commercial, QS, QA

2.3 Governance and Leadership

The governance structure would be determined in discussion with NMDHB. A potential structure could be:

- NMDHB Board: Overall responsibility for the project development and implementation.
- Steering Group: reporting to NMDHB management/executives. Chaired by the SRO, membership to include the Project Manager and other key stakeholders, to be determined. This could include representatives from NMDHB, Treasury, Ministry of Health/National Health Board and, potentially, user representatives.
- Business Case Project Group: reporting to the Steering Group. Led by the Project Manager, with a changing membership appropriate to each of the business case stages.

3. Business Case Delivery

3.1 Proposed Consultants

Sylvia Meakin: Sylvia would be the project manager for the delivery of the business case. This would include the development and writing of the business case, and management of the DHB and specialist resources assigned to this project.

David Young: Peer review of the business cases would be provided by David Young, a Director of Hunter Group and Chartered Accountant.

Specialists: To be employed by NMDHB, managed by the Project Manager.

CVs for Sylvia and David can be provided on request.

3.2 Proposed Approach

Stage 1: Pre-work. This would include:

- Clarification of scope and requirements, including completion of the NZ Treasury Risk Profile Assessment and Scoping Document;
- Convening the Better Business Case review meeting with Treasury, Ministry of Health, and other as required;
- Directing the delivery of detailed health service analysis from Health Partners;

- Detailed delivery planning, including: identification and agreement on the allocation of resources; agreement on the responsibilities; agreement on deliverables/timeframes;
- Completion of the project plan and agreement on the milestones for the development of the Strategic Assessment.

Stage 2: Strategic Assessment. This would include:

- Facilitated workshops (including 2 x ILM workshops) and meetings with key stakeholders to develop the collateral for the business case, to ensure understanding of the process and buy-in to the proposal(s);
- Development of the business case document as per the Better Business Case standard.

Stage 3: Indicative Business Case. This would include:

- Confirmation of scope and requirements with Treasury, Ministry of Health, and other as required;
- Facilitated workshops and meetings with key stakeholders to develop the collateral for the business case, including options development and options shortlisting;
- Development of the five cases (revisit of strategic case, focus on economic case, some high level development of commercial, financial and management cases) as per the Better Business Case standard;
- Production of the draft business case, management of the internal review process, coordination of responses and resolution of issues arising from feedback received;
- Writing of the final business case document;
- Writing of supporting/covering papers for internal approvals groups (if required and if agreed as being within scope).

Stage 4: Detailed Business Case. This would include:

- Confirmation of scope and requirements with Treasury, Ministry of Health, and other as required;
- Coordination of Feasibility Study and development of Functional Brief;
- Development of the five cases (revisit of strategic and economic cases, focus on the commercial, financial and management cases) as per the Better Business Case standard;
- Production of the draft, management of internal review, incorporation of feedback, development of final business case document and any supporting papers – all as per the IBC.

Stage 5: Implementation Business Case. This would include:

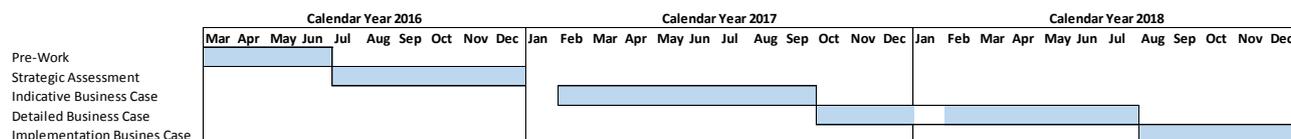
- Confirmation of scope and requirements with Treasury, Ministry of Health, and other as required;
- Development of the Implementation Case to reconfirm the strategic case for investment, finalise the expected costs, confirm the commercial/contractual arrangements, specify the management arrangements and detail the implementation approach and timeline, as per the Better Business Case standard.

Project Management. This would include:

- Project planning and management of the project progress and delivery;
- Management of the NMDHB resource and any specialist resource;
- Reporting to the SRO/Steering Group;
- Support for key stakeholder communications.

3.3 Indicative Timeline

The indicative timeline is based on the assumption of 2.5 years for completion of the four business cases, excluding the pre-work which is expected to be completed by July 2016. The timeline proposed would be subject to revision following discussion with the Treasury BBC team.



4. Cost Estimate

Based on the approach described above, estimated costs have been categorised as either Hunter Group Controlled, or Other.

4.1 Hunter Group Controlled Costs

The Hunter Group controlled costs comprise the Project Manager, accountant and change management planning.

The cost estimate midpoint is estimated as totalling \$515,540 (excl GST), and includes travel and accommodation. Due to uncertainties at this point, the estimate proposed is a range of \$438,209 to \$592,871.

Hunter Group

Pre-work	
Project Manager	\$ 20,270

Strategic Assessment	
Project Manager	\$ 63,600

Indicative Business Case	
Project Manager	\$ 113,790
Accountant	\$ 47,110
Total	\$ 160,900

Detailed Business Case	
Project Manager	\$ 113,790
Accountant	\$ 55,140
Change Management planning	\$ 7,700
Total	\$ 176,630

Implementation Business Case	
Project Manager	\$ 63,240
Accountant	\$ 23,200
Change Management planning	\$ 7,700
Total	\$ 94,140

HG Total	\$ 438,209	\$ 515,540	\$ 592,871
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4.2 Other Costs

The remaining costs are for the other resources required to develop the inputs for the business case, and external review.

Relevant information:

- Costs include estimates for travel and accommodation. The time and travel estimates would need to be revisited with each provider.
- Although indicative architect costs are included, it is emphasised that these are approximate based on other recent build projects, and are highly uncertain at this early stage. The actual cost would need to be determined following any services redesign and as part of the procurement process for architect services.
- All other costs for facility design (e.g. structural engineers, building services, information services, QS etc.) are not included. These will be need to be defined as part of the facilities design procurement. Costs for design and fees are usually estimated at 15-17% of the total build cost.

The cost estimate midpoint is shown below, total \$287,200 (plus GST). The range for this estimate is between \$229,760 and \$344,640.

Other

Pre-work	
Health Partners	\$ 36,050

Strategic Assessment	
QA	\$ 13,200

Indicative Business Case	
Architect	\$ 64,450
QA	\$ 13,200
Total	\$ 77,650

Detailed Business Case	
Architect	\$ 126,400
QA	\$ 21,050
Total	\$ 147,450

Implementation Business Case	
QA	\$ 12,850

Other Total	\$ 229,760	\$ 287,200	\$ 344,640
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Gateway review (4 @ \$75,000)	\$ 300,000
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4.3 DHB Costs

DHB costs for internal resource are not estimated. These include administrative support, facilities project management, time from subject matter experts/service leads, finance, communications support and the SRO. These costs are assumed to be part of ongoing DHB costs. If additional resource is required to support this project, this would need to be costed by the DHB and included in the overall estimates.