

Briefing

Health New Zealand
Te Whatu Ora

Health Infrastructure Plan Implementation – Approval of Capital to Operating Swap

Due to MO:	12 August 2025	Reference	HNZ00094048
To:	Hon Simeon Brown, Minister of Health Hon Nicola Willis, Minister of Finance		
From:	Jeremy Holman, Chief Infrastructure and Investment Officer		
Security level:	Budget - Sensitive	Priority	Routine
Consulted:	Ministry of Health, Treasury		
Proactive Release:	This title is not proposed by Health NZ for proactive release		

Action sought	Action required by
Agree to a fiscally neutral capital to operating swap to provide for infrastructure planning to support the Health Infrastructure Plan	20 August 2025

Contact for further discussion (if required)			
Name	Position	Phone	1st contact
Aaron Matthews	Head of Infrastructure Planning and Investment	[Redacted]	x
Jeremy Holman	Chief Infrastructure Investment Officer		

Attachments

Appendix 1: Health Capital Envelope Report – June 2025

Purpose

1. This briefing seeks your agreement to a fiscally neutral adjustment to swap Crown capital funding to operating funding to provide for infrastructure planning to support the Health Infrastructure Plan.

Recommendations

Health New Zealand | Te Whatu Ora recommends that you:

- | | |
|---|--------------|
| a) Note Health NZ is seeking a capital to operating funding swap of \$8.400 million from the Health Capital Envelope multi-year appropriation to Delivering Hospital and Specialist Services appropriation to undertake early-stage infrastructure planning required for implementation of the Health Infrastructure Plan. | Noted |
| b) Note this work includes: <ul style="list-style-type: none"> • four clinical services plans required to determine services and facilities across the hospital network. • four site master plans and campus condition assessments ahead of investments planned in the next three years, and • four condition assessments of campuses to inform Health NZ's baselining of the estate. | Noted |
| c) Note this is a time-limited transfer for two years only (2025/26 and 2026/27), and continuation of this work programme beyond the scope of this briefing will require Health NZ to seek a separate approval from Ministers. | Noted |
| d) Note that under Cabinet Circular CO(18)2 Joint Ministers are authorised to approve fiscally neutral adjustments between appropriations provided certain conditions are met. | Noted |
| e) Note that the proposed capital to operating swap falls entirely within the four-year baseline (or forecast period) horizon and therefore meets the conditions in CO(18)2 (rules 32.4 and 34 refer) as a fiscally neutral technical adjustment. | Noted |

Budget - Sensitive

- f) **Agree** to a fiscally neutral transfer to provide funding required to undertake the work noted in recommendation b) above, with the following impacts on the operating balance and net core Crown debt: **Yes/No**

	\$m – increase/(decrease)				
Vote Health	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Operating Balance and Net Core Crown Debt Impact	5.400	3.000	-	-	-
Operating Balance Only Impact	-	-	-	-	-
Net Core Crown Debt Only Impact	(8.400)	-	-	-	-
No Impact	-	-	-	-	-
Total	(3.000)	3.000	-	-	-

- g) **approve** the following changes to appropriations to give effect to the swap in recommendation f) above: **Yes/No**

	\$m – increase/(decrease)				
Vote Health	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Minister of Health					
Non-departmental Output Expense: Delivering Hospital and Specialist Services	5.400	3.000	-	-	-
Non-departmental Capital Expenditure: Health Capital Envelope (MYA)	(8.400)	-	-	-	-
Total Operating	5.400	3.000	-	-	-
Total Capital	(8.400)	-	-	-	-

- h) **agree** that the proposed changes to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply. **Yes/No**

i) note that requirements for monthly reporting to the Ministerial Committee for Health Infrastructure and Minister of Health on the phase 0 work programme are included in the Implementation Plan to the Health Infrastructure Plan. **Noted**

j) [REDACTED] **Noted**

Hon Simeon Brown, Minister of Health

Date:

Hon Nicola Willis, Minister of Finance

Date:



Jeremy Holman

Chief Infrastructure Investment Officer

Health New Zealand | Te Whatu Ora

Date: 12 August 2025

Background

2. The Draft Implementation Plan to the Health Infrastructure Plan (HIP) includes a proposed "Phase 0 Work Programme". This work programme includes deliverables that are key inputs into health infrastructure planning and are critical to ensure the success of the HIP over the short to medium term. These include:
 - a. Development of four clinical service plans, which determine demand and distribution of services across the regions and campuses,
 - b. Development of four site master plans, which outline the long-term development of hospital campuses, and
 - c. Condition assessments undertaken across four additional sites on top of the existing condition assessment programme of work, to contribute to the overall baselining of the health estate and delivery of the National Asset Management Strategy.
3. The Implementation Plan recommends funding this work programmes through a one-off capital to operating swap from the Health Capital Envelope. Costs for this work programme are operating costs. As such, the proposed capital to operating swap is the only way to fund the programme without impacting Health NZ's operating baseline. This approach has been used successfully on earlier projects (including the Regional Hospital Redevelopment Programme where investment in initial stage planning is paying a dividend in the more robust approach for the redevelopments).
4. The proposal was discussed at the Health officials meeting on the Implementation Plan on 17 July 2025. Following the meeting, Health NZ was directed to prepare this briefing to seek approval of the proposal from Joint Ministers.

Discussion

Scope of the Phase 0 Work Programme

5. Details of the planned work for the Phase 0 Work Programme include the following:
 - a. **Clinical Services Plans** – these describe the type and distribution of services across a geography (at times inter-district and inter-regional) informed by the natural flow of people, where they access care, and the relationship of facilities. These are supplementary to the National Clinical Service and Campus Plan and are clinically informed. The following Clinical Services Plans are proposed for delivery within the initial work programme of the Implementation Plan:
 - b. **Site Master Plans** – purpose of site master planning is to establish a long-term vision for a site and outline a staged process for achieving this vision. By having an agreed-upon masterplan, the potential for unplanned developments is minimised,

preventing situations where future expansion or adaptability may be hindered. Site plans are therefore central to the success of the Building Hospitals Better approach.

- c. **Condition Assessments** - Building condition assessments evaluate the physical state of the healthcare facility's infrastructure, including its structural and seismic integrity, safety, and overall condition. Undertaken by engineers and architects, a building's physical performance is assessed by examining the fabric and services condition, and the seismic integrity of each building.

Rationale

- 6. The selected deliverables relate to investments expected to seek funding from Budgets 2027 and 2028 under the HIP. The deliverables are pre-requisites to completing business cases required for the Budget process.

- 7. Furthermore, completion of these pieces of work on key tertiary hospitals allows for further work to be undertaken throughout the remainder of sites with a clear understanding of the planned distribution of services.
- 8. Other investments proposed for funding within the HIP across these budget years have largely completed early-stage planning.

9. Precedent for this approach exists in the following projects, which have demonstrated the higher quality of planning as a result.
 - a. Facilities Infrastructure Remediation Programme (FIRP)
 - b. Whangarei Hospital Redevelopment
 - c. Palmerston North Hospital Redevelopment
 - d. Hawkes Bay Hospital Redevelopment
 - e. Tauranga Hospital. Redevelopment

Financial implications

10. The estimated total cost for the planned Phase 0 Work Programme is \$8.400 million, including \$5.400 million required in 2025/26 and \$3 million in 2026/27. Clinical service plans, Site master planning and related studies, and condition assessments are classified as operational expenditure. This is because they do not directly result in the acquisition, construction, or enhancement of a physical asset. Instead, they are considered part of the planning and feasibility phase, which is expensed in the period incurred.

11.

12.

13.

Funding Source

14. The proposal is for a one-off Crown capital to operating swap within Vote Health from HCE to Delivering the Hospital and Specialist Services appropriation.

15.

16. The funds proposed to be used for the capital to operating swap are to be drawn from unallocated HCE funds.

17.

18. Any cost pressures sought for projects that exceed the remaining balance in the table above, will need to consider Health NZ's capital baseline depreciation as a funding source.

Capital to operating swap

19. Under Cabinet Circular CO (18) 2, Joint Ministers can approval a fiscally neutral adjustment for swaps within a baseline horizon provided the corresponding increases and decreases in operating and capital offset each other. As the swap is a time-limited transfer for two years only, the proposal meets this condition.

20. There is no impact to capital change from this proposal.

21. The appropriation impacts from the proposed transfer are detailed below:

Vote Health Minister of Health	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Non-departmental Output Expense: Delivering Hospital and Specialist Services	5.400	3.000	-	-	-
Non-departmental Capital Expenditure: Health Capital Envelope (MYA)	(8.400)	-	-	-	-

Budget - Sensitive

Total Operating	5.400	3.000	-	-	-
Total Capital	(8.400)	-	-	-	-

Consultation

22. The Treasury and the Ministry of Health were consulted on this briefing. The Treasury confirmed their support of the proposal at the Health officials meeting on 17 July 2025. No further comment was provided for the briefing.



Next steps

27. Subject to your approval, Health NZ will procure the services and resources required to undertake the work described in this briefing. Progress on this work programme will be provided in monthly reporting against the milestones included in the implementation plan, and the annual report back to Cabinet on the Health Infrastructure Plan.
28. Any continuation of the Phase 0 work programme beyond the scope and costs detailed in this document will be subject to separate advice and decisions by Ministers. This will be covered in the annual report back to Cabinet.