

## Whangārei Hospital redevelopment

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<b>To:</b>	Hon Simeon Brown, Minister of Health		
<b>From:</b>	Jeremy Holman, Chief Infrastructure and Investment Officer, Infrastructure and Investment Group		
<b>Copy to:</b>	n/a		
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<b>Consulted</b>	n/a		

### Contact for further discussion (if required)

Name	Position	Phone	1st contact
Christopher Cardwell	Regional Head of Infrastructure, Northern Region	s 9(2)(a)	x
Jeremy Holman	Chief Infrastructure and Investment Officer, Infrastructure and Investment Group	s 9(2)(a)	

### Attachments

**Appendix 1:** Problem Statements and Investment Objectives

**Appendix 2:** Approved Scope

s 9(2)(f)(iv)

## Purpose

1. This paper provides an overview of Project Pihi Kaha (Whangārei Hospital redevelopment), including updates on the progress of each stage and associated risks.

## Summary

2. Whangārei Hospital faces significant challenges relating to building condition, fitness for purpose, and capacity. The poor condition of the buildings creates risk to safety and continuation of services, including potential disruption by reactive repairs, while the fitness for purpose and capacity issues directly affect day-to-day operations.
3. In November 2022, the Government approved \$759 million for Project Pihi Kaha based on a Detailed Business Case (DBC) (GOV-22-MIN-0043 refers). This funded design and construction of a new acute services building, design only of a new ward tower, and relocation of the hospital's child health centre and whānau house, which are on the site of the new acute services building.
4. The acute services building will accommodate 10 theatres, emergency department, intensive care unit, and other acute services as well as front of house and support services. It will begin to address the current building issues, but further work and investment is needed. In particular, a ward tower adjoining the acute services building is required to meet investment objectives, as it would provide additional bed capacity and enable repurposing or decommissioning of parts of the existing hospital which are in poor condition.
5. Since funding approval, the project team has completed or progressed enabling projects and engaged a project and design team for the acute services building. The project is progressing well overall and remains close to schedule. s 9(2)(f)(iv)
6. Four stages of the project are either planned or underway and are detailed below with a short update on their status. Further information on the current scope and stages are set out in **Appendix 2**:
  - a. **Enabling works (funded)**: this stage includes a replacement whānau house (completed), a replacement child health centre (underway), and engagement of a project and design team for the acute services building and ward tower.
  - b. **Acute Services Building (funded)**: construction is set to begin in 2026, s 9(2)(f)(iv) The building will accommodate 10 theatres, the emergency department, intensive care unit, and other acute services as well as front of house and support services.
  - c. **Ward Tower (partially funded)**: the design phase is funded, with concept design work underway. s 9(2)(f)(iv)

d. **Site redevelopment and capacity expansion:** s 9(2)(f)(iv)

7. s 9(2)(f)(iv)

## Background

8. Whangārei Hospital faces significant challenges relating to building condition, fitness for purpose, and capacity that are negatively affecting patients and services. For example, the emergency department has 30% fewer points of care than it needs to meet demand and, as a result, is often overcrowded. The space is also cramped and the building it occupies has poor seismic resilience, weathertightness issues, poor fire safety, and fragile electrical infrastructure. Several other clinical areas have similar issues, including theatres and in-patient wards.
9. The table below quantifies the three building problems, the impact they are having on patients and services, and the investment objectives for Project Pihi Kaha<sup>1</sup>. These are informed by clinical perspectives which have been engaged throughout the project. **Appendix 1** provides more detail about the problem statements and investment objectives.

Building problem	Impact on patients and services	Investment objective
<b>Condition:</b> currently 16 service areas are located in buildings that have serious condition issues, including poor seismic resilience, weather-tightness failure, and poor fire safety.	Condition issues create two sets of risks: <ul style="list-style-type: none"><li>• safety risks for occupants</li><li>• risks that clinical areas will have to be decommissioned for reactive repairs, disrupting services.</li></ul>	Of the 16 service areas in high risk, poor-condition accommodation, 10 will be in fit for purpose accommodation on completion of the project. 10 are in accommodation without condition risks on completion of the project.
<b>Fitness for purpose:</b> currently the accommodation for 12 service areas is not fit for	Affects the quality and efficiency of services as well as the patient experience. For example, cramped facilities	Of the 12 services that are in accommodation that is not fit for purpose, 11 will be in fit for purpose

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<sup>1</sup> The investment objectives are a key part of the planning for the project: they define what success looks like and the project's level of ambition, and they guide subsequent planning and design work. s 9(2)(g)(i)

Building problem	Impact on patients and services	Investment objective
purpose relative to Australasian standards and other benchmarks.	can increase cross-infection risks and associated lengths of stay.	accommodation on completion of the project.
<b>Capacity:</b> Whangārei Hospital is currently at or close to capacity for beds, emergency department, theatres and outpatients.	Increases waiting times, which ultimately leads to poorer health outcomes.	Provide enough capacity to 2031 for theatres, emergency department, outpatients and inpatients.

10. The fitness for purpose and capacity issues have the most direct impact on day-to-day services at the hospital and limit the ability of Health NZ to achieve health performance targets. By meeting investment objectives, Health NZ expects to enable improvements in service capacity and quality, which in turn will improve health outcomes as measured by:
- waiting times for planned care (elective services patient flow indicator 5 – ESPI 5);
  - achieving the six-hour target for emergency department stays;
  - reduced rates of amenable mortality, particularly for Māori;
  - reductions in hospital-acquired complications and average lengths of stay, associated with the improved fitness for purpose of facilities.

### The approved scope

11. In November 2022, the Government approved \$759 million in funding for Project Pihi Kaha (GOV-22-MIN-0043 refers). This funded design and construction of a new acute services building along with design only of a new ward tower and relocation of the hospital's child health centre and whānau house, which are on the site of the new acute services building. The acute services building will accommodate 10 theatres, emergency department, intensive care unit, and other acute services as well as front of house and support services. This will provide greater capacity to all functional areas, including two additional theatres and 19 additional points of care in the emergency department.
12. In 2022, Health NZ recommended funding a ward tower adjacent to the acute services building, which would have included four medical-surgical wards and an acute assessment unit. At the time, the Government approved full funding for the acute services building along with design only of the ward tower and indicated Health NZ could seek funding for the ward tower from a future Budget. The ward tower is needed to meet investment objectives as it would provide additional bed capacity and enable repurposing or decommissioning of poor-condition parts of the hospital.
13. Since funding approval in 2022, Health NZ has completed the replacement whānau house, started construction of the replacement child health centre, and engaged a project and design team which has started design work for the acute services building and ward tower. Construction of the acute services building is due to commence in 2026, close to the approved schedule. s 9(2)(f)(iv)

## Project status

14. The table below sets out the current project status across the four project stages for Project Pihi Kaha. This is a high-level summary. Health NZ can provide you with additional information on each of the stages as needed.

Project stage	Status
Enabling works (including replacement whānau house and child health centre)	<ul style="list-style-type: none"><li>• Replacement whānau house has been completed.</li><li>• Construction of the replacement child health centre has started; Hawkins are currently undertaking early civil works.</li><li>• A project and design team has been engaged for the acute services building and ward tower, and concept design is underway.</li></ul>
Acute Services Building	<ul style="list-style-type: none"><li>• The design phase is ongoing but behind previous target dates due to project restructuring under Health NZ.</li><li>• Construction is scheduled to begin in 2026, remaining close to the approved timeline.</li><li>• s 9(2)(f)(iv)</li></ul>
Ward Tower	<ul style="list-style-type: none"><li>• Only the design phase is funded (construction funding is not yet approved).</li><li>• Concept design work has started, s 9(2)(f)(iv)</li></ul>
Site Redevelopment & Capacity Expansion	<ul style="list-style-type: none"><li>• s 9(2)(f)(iv)</li></ul>

## Project risks and mitigations

15. s 9(2)(g)(i)

c. s 9(2)(f)(iv)

16. s 9(2)(g)(i)

### Next steps

18. s 9(2)(f)(iv)

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<sup>2</sup> s 9(2)(f)(iv)

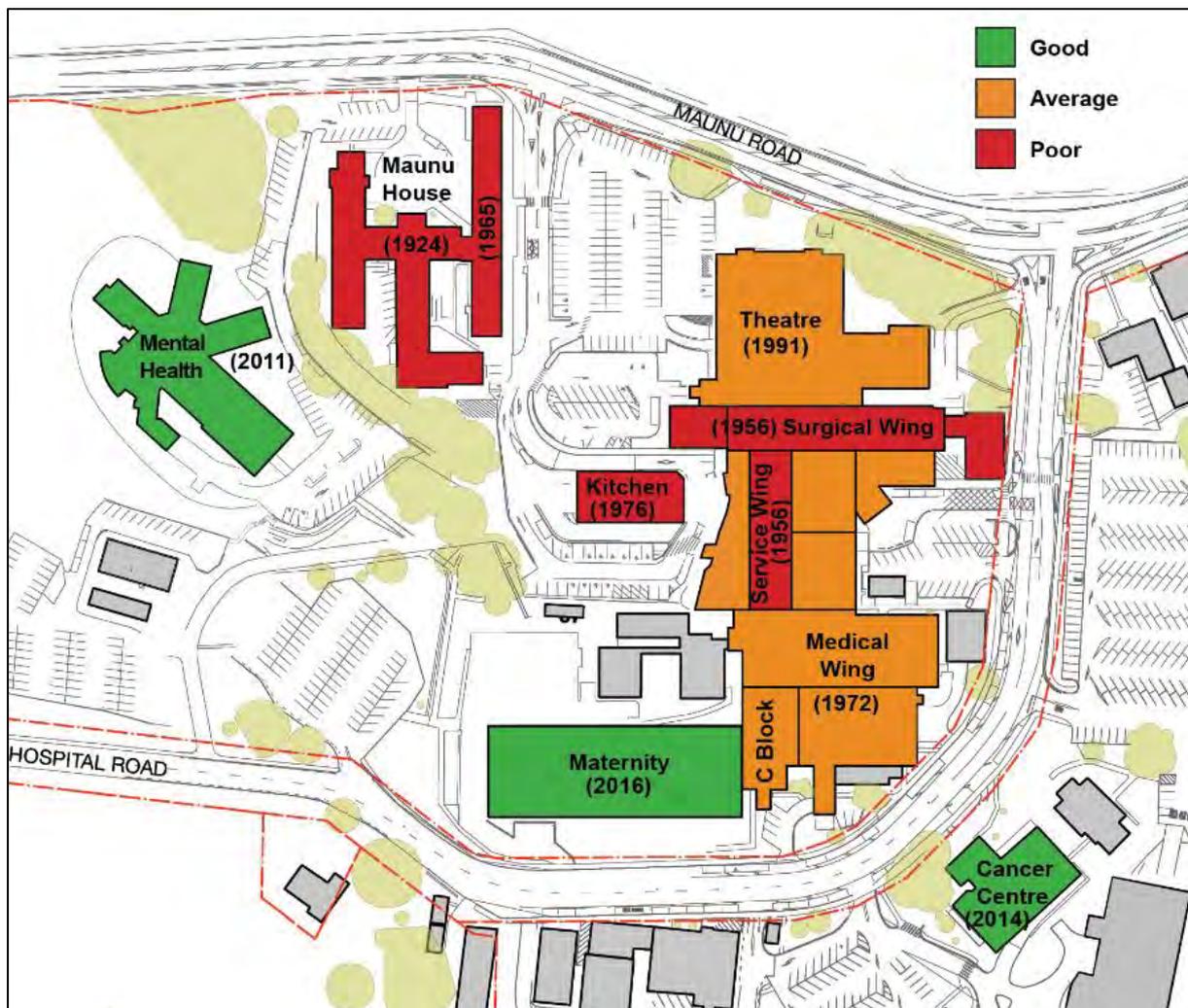
## Appendix 1: Problem Statements and Investment Objectives

1. This appendix summarises the building condition, fitness for purpose, and capacity issues at Whangārei Hospital, and discusses the project's investment objectives as at the 2022 detailed business case.

### Problem statements

#### Condition

2. The image below shows the condition of the main clinical areas at Whangārei Hospital.



3. The parts of the main block that are in the worst condition are the surgical and service wings, which were built in the 1950s and are nearly 70 years old. They accommodate the emergency department, intensive care unit, four inpatient wards, outpatient services, radiology, the laboratory, the helipad and the kitchen. Failure of the building would also affect the adjacent theatre block.

4. The surgical wing has poor seismic resilience, compromised fire cells, weather-tightness issues and fragile electrical infrastructure. It is also leaning slightly, which increases the frequency of maintenance required for the lifts. Asbestos makes remediation and maintenance difficult and costly. The emergency department, intensive care unit, and radiology are in a building that does not have a Code of Compliance Certificate (CCC), but does have a Building Warrant of Fitness (BWoF). This means that specified systems in the building have been maintained and certified, but that some of the historical building work was not necessarily completed in accordance with building consents. This has the potential to create risks to health and safety, as detailed below.
5. Beca (an advisory, design and engineering consultancy) undertook a condition assessment in 2019, which detailed the issues with the surgical and service wings. The scores were either poor or very poor across all categories. A quantity surveyor estimated that the costs of remediation and like-for-like replacement of the building are about the same, indicating that replacement would have far lower whole of life costs. The surgical and service wings accommodate 16 clinical areas in total, including theatres.
6. The project team recently commissioned Beca to complete condition assessments of the parts of the hospital not covered in the 2019 assessment, s 9(2)(f)(iv)
7. To mitigate these risks, Health NZ undertakes annual certification via BWoF of all specified systems, including life-safety systems. This enables not only building operations to continue, but it is also a requirement of the building insurers.

### **Fitness for purpose**

8. In 2019, the Ministry of Health compared a sample of spaces at Whangārei Hospital with the Australasian Health Facility Guidelines (AHFG). The spaces included two inpatient wards, theatres, the emergency department and the intensive care unit. The assessment found that all these areas were undersized.
9. The most extreme was the emergency department, which is around 38% of the recommended size: it has 19 square metres per bed where AHFG recommends 50 square metres. While the theatre block overall is larger than recommended, the theatres, central sterilising unit and patient bays are much smaller than AHFG recommendations. The surgical wing ward assessed is 75% of the recommended size. The four negative pressure rooms have shared bathrooms and are not compliant with AHFG.
10. The 12 areas with the most significant fitness for purpose issues that are not being addressed through other funded projects are: the emergency department, the intensive care unit, theatres, four medical-surgical wards in the surgical wing, radiology, ophthalmology, ENT, dental and audiology. This is adversely affecting patient care, flow and health outcomes, as well as staff safety.
11. s 9(2)(f)(iv)

s 9(2)(f)(iv)

s 9(2)(f)(iv)

14. s 9(2)(f)(iv)

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<sup>3</sup> s 9(2)(f)(iv)

## Investment objectives

15. Project Pihi Kaha aims to address these issues, and the investment objectives define what success looks like in terms of achieving this. The table below summarises the current investment objectives.<sup>4</sup>

Problem statement	Current approved investment objective
Condition: currently 16 service areas are in buildings that create safety and decommissioning risks.	Improve the condition of buildings at Whangārei Hospital so that <b>10 of the 16</b> patient areas that are in buildings that create safety or decommissioning risks are in accommodation without condition risks on completion of the project.
Fitness for purpose: currently the accommodation for 12 service areas is not fit for purpose relative to AHFG and other benchmarks.	Improve the fitness for purpose of Whangārei Hospital so that <b>11 of the 12</b> areas where the size and configuration of facilities affecting services are accommodated in facilities that <b>meet modern standards and AHFG benchmarks</b> on completion of the project.
Capacity: Whangārei Hospital is currently at or close to capacity in several areas.	Provide enough capacity at Whangārei Hospital to meet projected demand <b>until 2031</b> for theatres, emergency department, inpatients and outpatients.

16. The table below shows the services in accommodation that is in poor condition and not fit for purpose.<sup>5</sup> It shows where these would move into good accommodation under the currently approved scope, i.e. building the acute services building without the ward tower.

17. Without the ward tower, the project does not meet the investment objectives because wards one to four remain in their current accommodation. With the ward tower, the project would move the target 10 services into good condition accommodation and 11 services into fit for purpose accommodation.

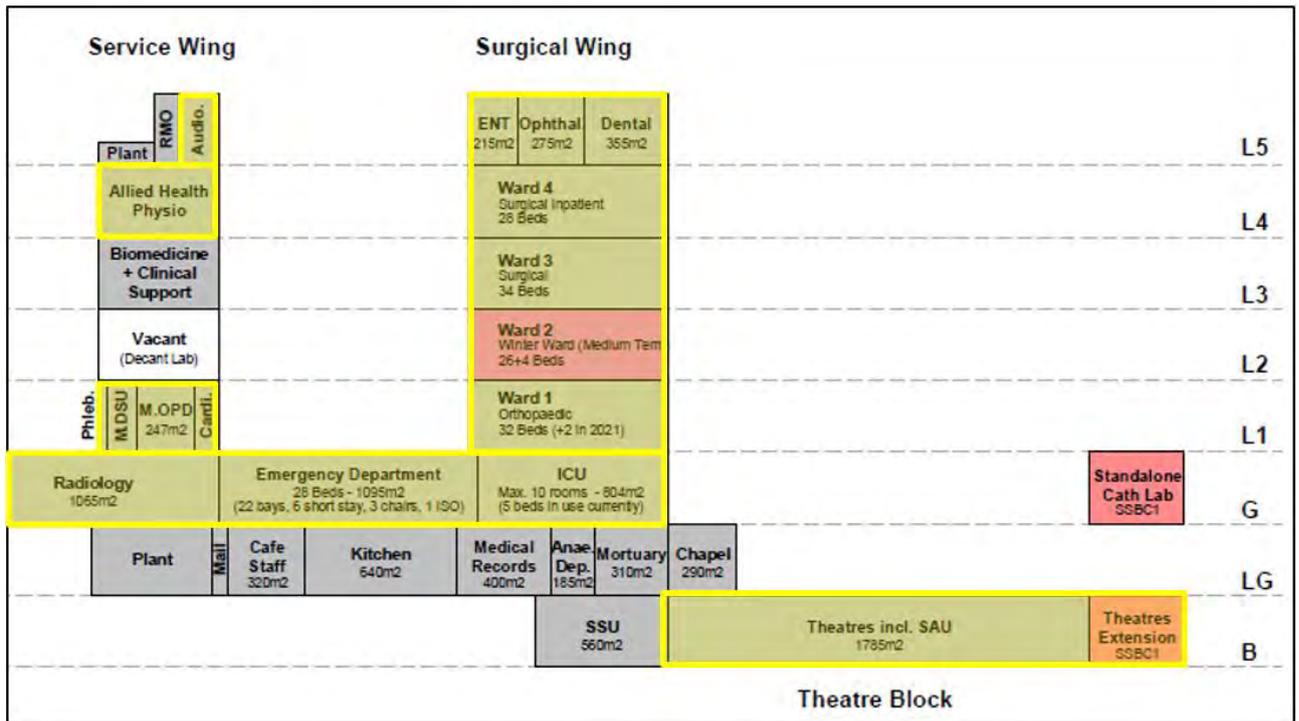
Area	Condition issues?	Addressed?	Fitness for purpose issues?	Addressed?
Theatres	Yes	Yes	Yes	Yes
emergency department	Yes	Yes	Yes	Yes

<sup>4</sup> s 9(2)(f)(iv)

Area	Condition issues?	Addressed?	Fitness for purpose issues?	Addressed?
intensive care unit	Yes	Yes	Yes	Yes
Ward 1	Yes	No	Yes	No
Ward 2	Yes	No	Yes	No
Ward 3	Yes	No	Yes	No
Ward 4	Yes	No	Yes	No
Radiology*	Yes	Partly	Yes	Yes
Allied Health (plus AT&R gym and kitchen)	Yes	No	No	N/A
Medical day-stay unit	Yes	No	No	N/A
Medical outpatients	Yes	No	No	N/A
Cardiology	Yes	No	No	N/A
Audiology	Yes	No	Yes	No
ENT	Yes	Yes	Yes	Yes
Ophthalmology	Yes	Yes	Yes	Yes
Dental	Yes	Yes	Yes	Yes
<b>Total</b>	<b>16</b>	<b>6 / 16</b>	<b>12</b>	<b>7 / 12</b>

\* s 9(2)(f)(iv) part of radiology moves into the acute services building and part remains in its current location in a poor-condition building. This improves its fitness for purpose but only partly addresses the condition issues.

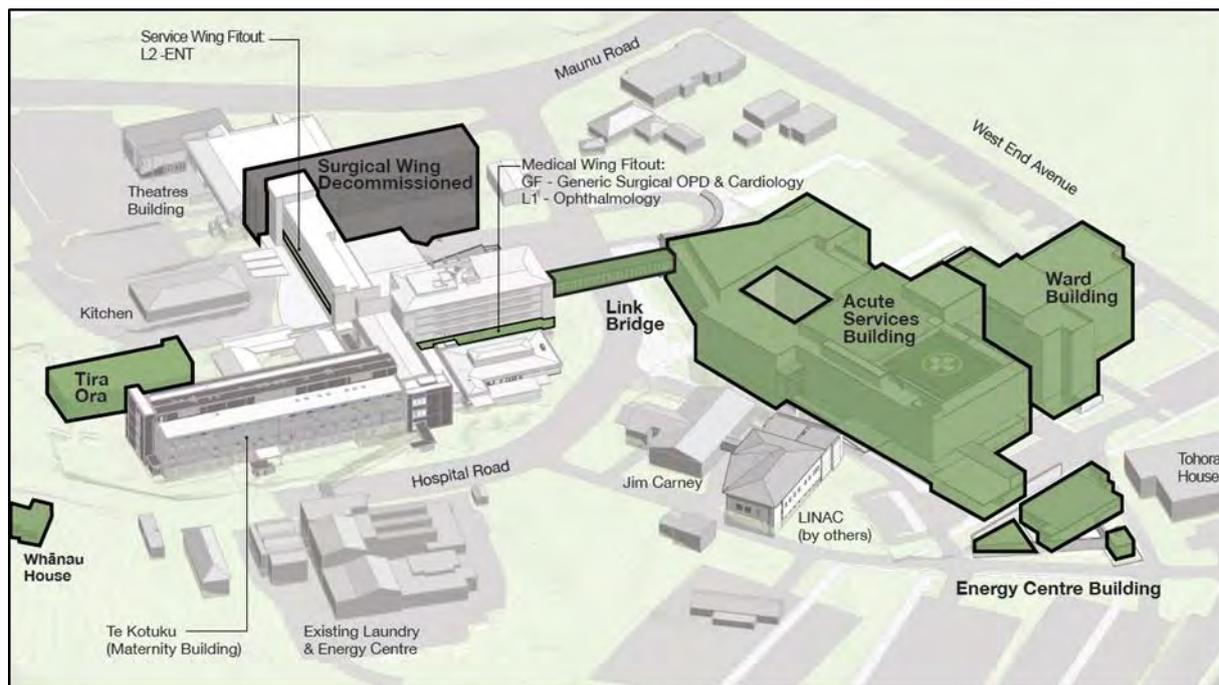
18. The yellow highlights in the image below are the 16 clinical areas that currently occupy the service and surgical wings, i.e. the parts of the hospital that have the most significant condition and fitness for purpose issues. These are the areas that would need to be in good condition, fit for purpose accommodation on completion of the project to meet the first two investment objectives.



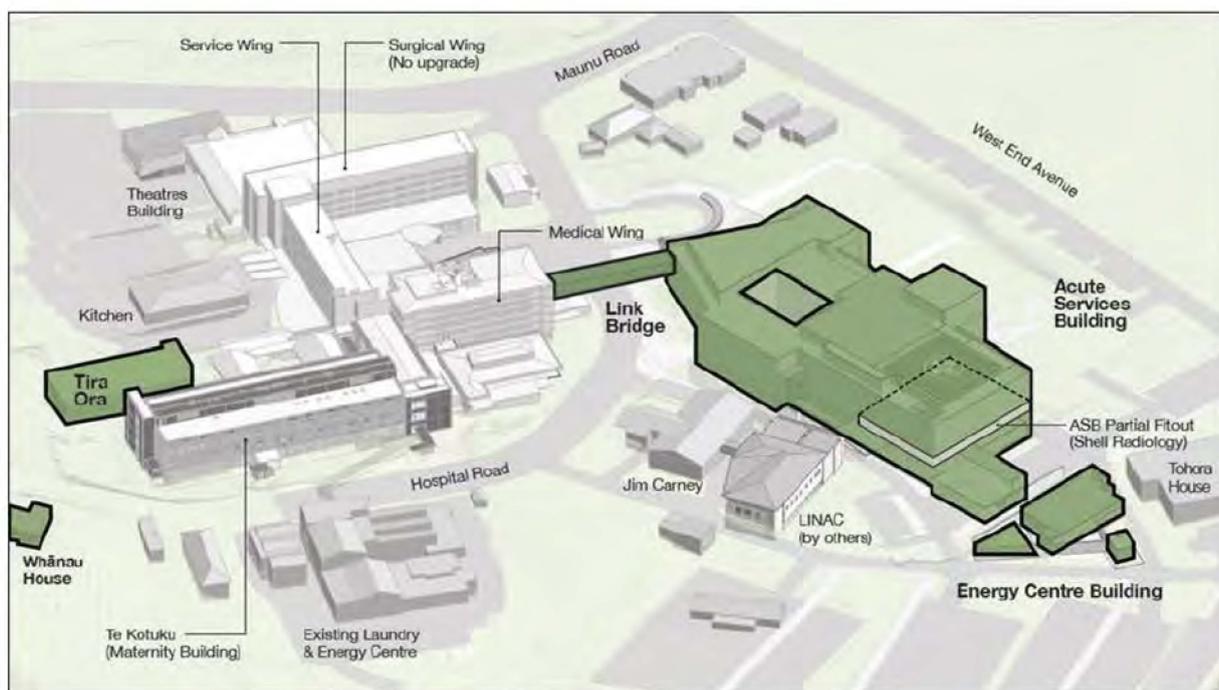
19. As noted in the problem statements section, at the time Health NZ developed the Detailed Business Case for Project Pihi Kaha, the additional capacity it provided for the emergency department, theatres, inpatients, and outpatients would have been sufficient to meet projected clinical demand on opening in 2031. s 9(2)(f)(iv)

## Appendix 2: Approved Scope

1. This section summarises the approved scope under the 2022 Detailed Business Case.
2. The 2022 Detailed Business Case recommended option 3 at a cost of \$944 million. This moved the child health unit (Tira Ora) and whānau house and built the acute services building and the ward tower. The aim of the project was essentially to build enough replacement capacity to decommission the end-of-life surgical wing, with the new buildings delivered in option 3 providing enough capacity to do this. The image below shows Whangārei Hospital from the southeast on completion of this plan.



3. The master plan for the hospital involves building further ward towers in the east next to the acute services building. In the end-state, the eastern part of the site becomes an acute and inpatient precinct, and the remaining buildings in the west become an ambulatory outpatient precinct.
4. At the time, the Government approved option 2A from the Detailed Business Case at a cost of \$759 million (GOV-22-MIN-0043 refers). This was the same as option 3, except it did not build the ward tower and did not move outpatient areas within the existing hospital. When it approved the Detailed Business Case, the Government indicated Health NZ could seek further funding for the ward tower from a future budget.
5. As discussed above, option 2A on its own did not meet the investment objectives of moving services into good condition, fit for purpose accommodation and providing enough capacity to meet demand. The ward tower would be needed to meet the investment objectives. The image below shows the hospital on completion of option 2A.



6. The table below from the 2022 Detailed Business Case summarises the clinical capacity delivered under the currently approved option 2A and option 3.

Area	Department	Option 2A	Option 3
Acute services building	Theatres and surgical sterilising unit (SSU)	10 theatres	10 theatres
	Intensive care unit/HDU	12 beds	12 beds
	Emergency department	41 + 3 shell bed bays, 4 resuscitation beds	41 + 3 shell bed bays, 4 resuscitation beds
	Paediatric AAU	4 beds, shell	4 beds, shell
	Acute and satellite radiology*	2 CT, 2 ultrasound, 2 x-ray and 1 MRI	2 CT, 2 ultrasound, 2 x-ray and 1 MRI
	Coronary care unit	8 beds	8 beds
	Acute cardiac catheter laboratory	1 room	1 room
	Front of house	729m <sup>2</sup>	729m <sup>2</sup>
	Back of house: kitchen, loading dock, non-clinical support and environmental services	1,991m <sup>2</sup>	1,991m <sup>2</sup>
Ward tower	Acute assessment unit (AAU)	Not included	23 beds
	Medical-surgical beds adjacent to AAU	Not included	7 beds
	Medical-surgical ward 1	Not included	32 beds
	Medical-surgical ward 2	Not included	32 beds
	Medical-surgical ward 3	Not included	32 beds
	Medical-surgical ward 4	Not included	32 beds

Area	Department	Option 2A	Option 3
Existing hospital**	ENT expands	Not included	5 rooms
	Ophthalmology expands	Not included	6 rooms
	General surgery expands	Not included	7 rooms
	Cardiology expands	Not included	4 rooms
Child health unit	Consult rooms	7 plus 1 shell	7 plus 1 shell
	Treatment rooms	2	2
	Associated support space including gym, therapy and playrooms, open plan administration space	-	-
Whānau house	Bedrooms	5	5

\* Existing radiology remains in the service wing while these support acute services in the acute services building. The acute services building includes shell space for radiology to move across in stage 2.

\*\* The rooms assessment here is indicative only, given the difficulties with assessing outpatient capacity.

s 9(2)(f)(iv)

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