Briefing

Health New Zealand
Te Whatu Ora

Canterbury Neonatal Unit Reconfiguration Business Case

Due to MO:	3 July 2025	**Reference**	**HNZ00087932**
To:	Hon Simeon Brown, Minister of Health		
From:	Jeremy Holman, Chief Infrastructure and Investment Officer, Infrastructure and Investment Group		
Copy to:	n/a		
Security level:	In Confidence	**Priority**	Routine
Consulted:	Ministry of Health		
Proactive Release:	This title is proposed by Health NZ for proactive release		

Action sought	**Action required by**
Endorse the Single Stage Business Case to invest [redacted] capital expenditure and [redacted] in transitional operating costs over 2025/26 and 2026/27, to reconfigure the Neonatal Intensive Care Unit (NICU) at Christchurch Women's Hospital.	9 July 2025
Agree that the Ministry of Health will prepare a paper seeking Cabinet approval of the Single Stage Business Case for consideration by September 2025.	9 July 2025

Contact for further discussion (if required)

Name	Position	Phone	1st contact
Rob Ojala	Regional Head of Infrastructure Te Waipounamu	[redacted]	x
Jeremy Holman	Chief Infrastructure and Investment Officer		

Attachments	
Appendix 1:	
Appendix 2:	

Appendix 1 and 2 are withheld in full

Purpose

1. This Briefing seeks endorsement from the Minister of Health to progress the Single Stage Business Case to invest [redacted] capital expenditure and [redacted] in additonal transitional operating costs required to safely manage seven separate ward decanting/relocations, along with a split NICU across two locations over 2025/26 and 2026/27 during the contruction period, to reconfigure the Neonatal Intensive Care Unit (NICU) at Christchurch Women's Hospital, to Cabinet for approval.

Summary

2. This Single Stage Business Case proposes a [redacted] capital investment, [redacted] in transitional operating funding, and a commitment of [redacted] in ongoing operational funding from baseline to reconfigure and expand the NICU at Christchurch Women's Hospital.

3. A case for change workshop held in September 2023 with neonatal service leadership and clinical stakeholders identified two critical problems:

   a) demand consistently exceeds cot capacity, posing safety risks and staff strain; and

   b) the facility no longer meets modern standards, limiting compliance and the ability to deliver contemporary models of care.

4. The preferred delivery model is single stage refurbishment (Option 2) that fully decants services during construction. While it involves some service disruption, it balances capital affordability with timely delivery of critical infrastructure upgrades.

5. The proposal adds 10 resourced cots (six level 3 and four level 2), increasing total cot capacity to 54. This reconfiguration addresses unsafe occupancy levels, addresses fire risk relating to increased occupancy, enhances infection prevention, and ensures compliance with Health New Zealand | Te Whatu Ora (Health NZ) fire and building safety standards.

6. In light of the urgency to address clinical demand and health and safety considerations and noting the time required for this proposal to secure Cabinet approval, on 15 May 2025 the Health NZ Funding Board approved early release of [redacted] to expedite design completion and decanting activities while awaiting business case approval.

7. The investment supports national priorities under the Government Policy Statement on Health (2024–2027) and responds directly to critical capacity and compliance risks. It also prepares the system for future growth by enabling cot repatriation from other NICUs and maintaining clinical adjacency to birthing services.

8. Total whole-of-life cost is [redacted] which will be funded through Health NZ depreciation reserves and a confirmed operating budget uplift. Cabinet approval is required for the Single Stage Business Case.

9. On 12 June 2025, the Commissioner approved that this Single Stage Business Case progress to the Minister of Health.

Recommendations

Health New Zealand | Te Whatu Ora recommends that you:

a)	**Endorse** the Single Stage Business Case to invest [redacted] capital expenditure and [redacted] in transitional operating costs over 2025/26 and 2026/27, to reconfigure the Neonatal Intensive Care Unit (NICU) at Christchurch Women's Hospital.	**Yes/No**
b)	**Agree** that the Ministry of Health will prepare a paper seeking Cabinet approval of the Single Stage Business Case for consideration by September 2025.	**Yes/No**
c)	**Note** the incremental operational costs are [redacted] over [redacted] including depreciation in full first year of operation 2027/28), with an additional [redacted] from 2026/27 to operationalise the expanded NICU.	**Noted**
d)	**Note** the operational costs for the 26/27 financial year and onwards, will be funded out of Health NZ regional baseline funding via savings initiatives and deprioritising spending elsewhere.	**Noted**

Hon Simeon Brown, Minister of Health

Date:

Jeremy Holman, Chief Infrastructure and Investment Officer

Health New Zealand | Te Whatu Ora

Date:

Background

10. The Canterbury Neonatal Intensive Care Unit (NICU) plays a critical role in providing care for premature and medically complex newborns across the South Island. As one of the two tertiary-level NICUs in Te Waipounamu, the unit supports a large geographical area and is an essential part of the regional health network. Over recent years, the service has faced increasing pressure due to sustained high occupancy levels, staff

strain, and facility limitations. These challenges underscore the urgency of reconfiguring the unit to meet contemporary clinical needs and safety standards.

11. [redacted]

12. [redacted]

13. Health NZ Deputy Commissioners Ken Whelan and Kylie Clegg visited the NICU in November 2024. At the 30 May 2025 Health NZ Capital and Infrastructure Committee meeting, verbal verification was given that the interim operational mitigations recommended in the fire occupancy risk assessment to manage safety in the short term had been implemented. This included fire evacuation drills.

14. Chronic over-occupancy has also compounded the effect on staffing, wellbeing, infection control, and clinical workflow. Medical and allied health staffing levels remain below what is needed to safely manage current demand. High occupancy has placed significant stress on staff, resulting in increased sick leave and reduced access to training and annual leave. The physical layout of the unit does not align with modern standards for infection prevention, equipment storage, or family-centred care.

15. This business case proposes a solution that addresses these challenges. The investment would provide:

    a) improved clinical safety and quality, reducing occupancy-related risks, including fire risk.

    b) better whānau and staff experience, supporting increased breastfeeding, whānau satisfaction, and sustainable staffing.

    c) modernised facilities supporting bedside care, infection control, and improved workflow.

Discussion

Options Analysis

16. Three shortlisted options were investigated (including the discounted ‘Do Nothing’). The key considerations to determine the preferred option were timeliness to mitigate increasing risk, and affordability. Each option assumes Health NZ Capital Plan funding.

17. The project focused on options for a reconfiguration of the existing NICU on Level 4 of Christchurch Women's Hospital for the following key reasons:

    a) reconfiguration can be delivered the earliest while meeting most investment objectives.

    b) recognises financial constraints and multiple demands on capital pools.

    c) maintains connection with maternity service.

18. The reconfiguration options are considered 'do minimum' in terms of the potential investment scope outlined in the strategic case. The capacity modelling suggests [redacted] is a minimum cot requirement. The increase in cots triggers compliance requirements that must be met (e.g. passive fire prevention and protection).

Table 1: Canterbury NICU Shortlist Options Summary

Option	*Overview*	*Risk Mitigation*	*Capital Cost Estimate*
1	**Do nothing: Continue with current facilities at Canterbury Hospital** Rejected – Clinicians would be unable to provide high quality patient care because of not fit for purpose facilities.		
2	**RECOMMENDED OPTION** **Delivery in one stage:** the whole unit would be decanted to alternative accommodation for the duration of the construction works.		
3	**Delivery in multiple stages**: staged refurbishment carried out in eight stages. Level 2 babies would be decanted to another location and Level 3 babies would remain on the unit.		

19. We analysed the benefits, costs and risks of the reconfiguration options. Option 1 (Do Nothing) delivers no clinical or operational benefit and carries high safety, reputational, and service continuity risks. Option 3 (Staged Refurbishment) offers improved clinical outcomes but poses greater implementation risk due to extended disruption and managing services across two sites. Option 2 (Single-Stage Refurbishment) provides the same clinical benefits with fewer risks, enabling faster realisation of improvements and a simpler, more controlled delivery approach.

20. The economic whole-of-life cost was analysed over a [redacted] operating period after construction works are completed. The economic appraisal uses real dollars and a [redacted] discount rate. Operational costs are mostly increased staffing. The analysis assumes a decrease in costs associated with out of district transfers (although these costs are not eliminated completely).

21. After analysis of the benefits, costs, and risks of the two alternative reconfiguration delivery options, the proposed solution is delivery via single staged refurbishment (Option 2). The proposed design responds to the major objectives developed with the clinical user group and enables fire safety upgrades and building repairs.

Implementation and delivery

22. The preferred approach is a traditional (construct only) delivery model as it is considered most suitable for a reconfiguration within the unit's existing footprint. Procurement plans have been developed for professional services and construction works. Professional services will be procured through a one-step closed competitive Request for Proposal process with a shortlist of All of Government suppliers.

23. The project will be managed and governed using Health NZ's project management procedures. The construction works required are not complex, with equipment and suppliers known to Health NZ. The approach is being informed by recent Health NZ reconfiguration projects such as the Emergency Department at Nelson Hospital.

24. The project was assessed as medium risk using the Treasury's Risk Profile Assessment tool and moderation process and will follow the Gateway Review process for assurance.

25. We have carefully considered the decant of Level 3 babies from NICU into the West pod of the Intensive Care Unit (ICU) in the Waipapa Building during construction. This will limit ICU's ability to expand its bed capacity during the decanting/construction period however, based on current Christchurch ICU demand and careful regional ICU capacity utilisation, this will be manageable. Plans for operationalising the ICU West pod will be developed and reviewed by the clinical teams. We will explore options for the decant of level 2 babies from NICU. The most suitable space identified is Medical Assessment on the ground floor of the Christchurch Hospital Waipapa Building.

26. It is anticipated that the project can be completed, and the service fully transitioned back to the reconfigured NICU in the third quarter of the 2026/27 financial year.

Financial implications

27. The proposed solution has a discounted whole-of-life cost of

28. Total capital costs for the reconfigured unit are across the 2026 and 2027 financial years. This is split between for the neonatal unit fitout, enabling and lower floor works, for Furniture, Fixtures and Equipment and for other costs. Notable other costs include professional fees, contingency of of overall capital costs), and Health NZ resourcing of .

29. Capital costing has been provided by RLB Quantity Surveyors based on a concept level of design.

30. We have yet to complete procurement for a construction contractor, therefore there remains a risk that the budget for the construction costs might be insufficient. However, this risk is being mitigated through the inclusion of contingency and escalation allowances, ongoing benchmarking against similar projects, and procurement planning supported by Health NZ's panel of national delivery partners to ensure pricing is market-aligned and delivery risk is minimised.

31. This project is in the Capital Plan and capital expenditure will be funded from Health NZ depreciation funding. [redacted] was approved in the 2024/25 Capital Plan. The remaining [redacted] is to be funded from National Infrastructure and Investment Group Contingency.

32. After accounting for operational cost savings, the project requires additional operating funding of [redacted], considering inflation and wage growth.

33. Health NZ will also require additional Health & Support Services allocation to meet the increased operating costs (FTE and consumables) for the additional 10 cots as part of this capital proposal. This increase will be met within from Health New Zealand baseline budget for years FY26 to FY37. The capital cost is broken down in Table 2, the capital investment and operational cost summary is outlined in Table 3, and a summary of the additional full-time equivalent staff required is outlined in Appendix 1.

[redacted]

34. The business-as-usual full year increase in OPEX for the reconfigured NICU is [redacted] comprising [redacted] as set out in Appendix 1. The 2026/27 impact will be an uplift of [redacted]

Ministry of Health comments

35. The Ministry supports this investment. Our review of the proposal has been limited on the basis that this project is self-funded and presents a low level of risk.

36. Current capital settings require Cabinet approval for this investment as the whole of life exceeds $100.0 million. [redacted]

Next steps

37. Pending your endorsement and agreement, the Ministry of Health will draft a Cabinet paper seeking approval of the Single Stage Business Case to invest [redacted] capital expenditure and [redacted] in transitional operating costs over 2025/26 and 2026/27, to reconfigure the Neonatal Intensive Care Unit (NICU) at Christchurch Women's Hospital.