

Question on Notice

No. 1516

Asked on 2 December 2022

MR B HEAD ASKED THE MINISTER FOR HEALTH AND AMBULANCE SERVICES (HON Y D'ATH)—

QUESTION

With reference to Capital Expenditure undertaken by Queensland Health—
Will the Minister provide (a) a list of all current capital projects with a budgeted overspend and (b) the value of the overspend for each project?

ANSWER

The Palaszczuk Government's highest priority is to provide the right facility to meet the local community's needs, as these assets will support the delivery of healthcare services for generations to come.

Queensland Health is delivering one of the largest infrastructure programs in the state which includes significant investments building new hospitals and health facilities, upgrading and maintaining existing hospitals and health facilities, and supporting ICT infrastructure.

I am advised that there are several factors that can contribute to project overspends, including:

- rising input costs in the construction industry associated with impacted supply chains through production and transportation and supply chain shortages, and escalation in costs in respect to staffing and materials;
- inclement and unforeseen weather events including flooding which results in delays to some projects currently under construction; and
- rectification works needed on projects affected by significant latent conditions.

It is these factors, along with the ongoing global impact of the COVID-19 pandemic, which has resulted in challenges from rising costs in the construction industry. These disruptions and challenges are not unique to Queensland.

I am advised that the current projects reporting an estimated overspend, as of December 2022, are listed in the below table:

Project Name	Previous Project Budget	Revised Project Budget
Burdell New Station and Northern Regional Office	\$7,200,000	\$12,097,066
Caloundra South New Ambulance Station	\$5,500,330	\$6,900,330
Cunnamulla MPHS 10-Bed Aged Care Project	\$3,243,636	\$5,393,636

Emerald Hospital Emergency Department Upgrade	\$10,000,000	\$11,234,670
Gold Coast Secure Mental Health Rehabilitation Unit	\$105,544,000	\$122,744,000
Goondiwindi Hospital HVAC Remediation	\$5,685,900	\$8,893,816
Lawnton New Ambulance Station	\$5,500,476	\$6,100,476
Logan Hospital Maternity Access Road	\$3,048,079	\$4,088,708
Mer (Murray) Island PHCC and Accommodation Replacement	\$7,000,000	\$8,800,000
Morayfield New Ambulance Station	\$6,200,475	\$8,050,474
North Rockhampton Replacement Ambulance Station and Central Regional Office	\$5,500,270	\$8,995,270
Redland Hospital Medical Air Upgrade	\$2,295,832	\$3,818,924
Ripley New Ambulance Station and West Moreton District Office	\$7,399,830	\$10,899,831
Satellite Hospitals Program	\$280,000,000	\$376,900,000
Thursday Island Hospital Facilities Upgrade Project	\$46,000,000	\$58,086,401
Townsville University Hospital Pharmacy AMF and Cytotoxic Laboratory	\$4,499,688	\$5,544,521

In addition to COVID-19 and other supply chain and cost escalation issues, there have also been a number of other significant unexpected cost pressures which have impacted the Satellite Hospitals Program since the establishment of the original budget. These include:

- expansion of the original scope and design changes to support models of care to meet the unprecedented demand we are seeing across South East Queensland, including the establishment of a Minor Injury and Illness Clinic at each of the Satellite Hospitals;
- location change for the Brisbane South Satellite Hospital to the Eight Mile Plains site;
- significant inground contamination and bank stabilisation works at some sites; and
- higher than anticipated inclement weather conditions.

I am advised that five of the seven Satellite Hospitals will reach practical completion and open in 2023. It is expected that the first Satellite Hospital will be operational by August 2023. Cultural heritage negotiations, wet weather, site contamination and supply-chain constraints have moved the forecast operational opening of two facilities (Eight Mile Plains and Bribie Island) into 2024.

The new Health Capital Division within the Department of Health is developing a range of mitigation strategies to address increasing building costs across its portfolio. These include:

- design standardisation to provide consistency across the portfolio and remove design inefficiencies;

- implementation of a Program Management Office to provide control on the design, risk and scheduling across the health capital portfolio;
- deeper industry engagement to understand the market's capacity and capability so that procurement methodologies are tailored to achieve the best value for money for the state; and
- development of more collaborative construction contracts in consultation with the Department of Energy and Public Works to enable a wider range of risk transfer solutions.

A new Deputy Director-General and Division within Queensland Health has been established to focus purely on the efficiency and effectiveness of health infrastructure delivery for Queenslanders.

Labour shortages and broader challenges from rising input costs associated with impacted supply chains are still significant barriers to overcome however Queensland Health has developed mitigation strategies including utilising contractual mechanisms for payment of unfixed material to secure supplies, reduce material lead time and eliminate foreign exchange cost risk. Additionally, extensive market testing is providing an added level of certainty for cost trends and interest in particular projects or regions.

Queensland Health has enhanced its approach to industry engagement with extensive market sounding, engagement and feedback sessions undertaken in 2022 to understand how best to facilitate shared value with industry in the largest health infrastructure program to be delivered in Queensland. This resulted in the rapid commencement of early works for the New Bundaberg Hospital site in December 2022 and extensive interest from tenders across the state and nation in the broader Capacity Expansion Program.