LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

12th Assembly

Public Accounts Committee

Palmerston Regional Hospital

Public Hearing Transcript

3.30 pm, Monday, 11 April 2016

Litchfield Room, Parliament House

Members:  Mrs Robyn Lambley MLA, Chair, Member for Araluen
          Ms Natasha Fyles MLA, Member for Nightcliff
          Ms Nicole Manison MLA, Member for Wanguri
          Mr Gerry Wood MLA, Member for Nelson

Witnesses: Department of Health
          Ms Janet Anderson, Deputy Chief Executive Officer
          Mr Michael Kalimnios, Chief Operating Officer, Top End Health Services
          Mr Adam Walding, Senior Director Capital and Facilities
          Department of Infrastructure
          Mr David McHugh, Chief Executive Officer
          Mr Glen Brady, Project Director
          Office of Major Projects, Infrastructure and Investment
          Ms Anne Tan, Acting Coordinator General
          Mr Brett Brogan, Executive Director
Madam CHAIR: On behalf of the committee, I welcome everyone to this public hearing this afternoon into the Palmerston Regional Hospital.

I welcome to the table to give evidence to the committee Mr Michael Kalimnios, Chief Operating Officer of the Top End Health Services, Department of Health; Mr Adam Walding, Senior Director Capital and Facilities, Department of Health; Mr David McHugh, CEO of the Department of Infrastructure; Mr Glen Brady, Project Director of Department of Infrastructure; Ms Anne Tan, Acting Coordinator General, Office of Major Projects, Infrastructure and Investment, Department of Chief Minister; and Mr Brett Brogan, Executive Director, Office of Major Projects, Infrastructure and Investment, Department of Chief Minister; and Ms Janet Anderson – I do not have you on my list sorry – Deputy Chief Executive Officer of the Department of Health. Welcome and thank you for taking time out of your day to speak to the committee.

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and is being webcast through the Assembly’s website. A transcript will be made for use of the committee and may be put on the committee’s website.

If at any time during the hearing you are concerned that what you will say should not be made public you may ask the committee to go into a closed session and take your evidence in private.

If each of you could state your name and your position, and if anyone would like to make an opening statement, please do. Who would like to go first? Anne?

Ms TAN: I am Anne Tan, Acting Coordinator General, Office of Major Projects, Infrastructure and Investment, Department of Chief Minister.

Good afternoon and thank you for the opportunity to make an opening statement and discuss the Palmerston Regional Hospital project.

Construction is well under way at the hospital site and the project is progressing well against projected time frames. As Glen will outline in his opening address, the pouring of the ground floor slab has commenced and $19.9m worth of works packages have been awarded to local businesses to date with further contracts to be awarded over the next few weeks.

The close collaboration between agencies continues as this critical piece of hospital infrastructure addresses the future health service needs of the Northern Territory and builds our capacity to deliver health services for our growing population.

The Office of Major Projects, Infrastructure and Investment continues to hold coordination responsibility for the project. I thank all members of the project control groups for their ongoing support in delivering this important infrastructure. This project could not have advanced as smoothly without the significant and valuable specialised advice from project control group members including health professionals, engineers, other technical experts and consultants.

The Departments of Health and Infrastructure staff have spent hundreds of hours reviewing and providing input into the hospital design and future operations. Their efforts and commitment are recognised and very much appreciated by government.
Both the Chief Minister and the Minister for Health are briefed regularly on the progress of this coordinated project and this is consistently supported by the Department of Health and Department of Infrastructure. The Chief Executive of the Department of Health is responsible for and makes the day to day decisions in relation to the hospital's operational aspects. The Department of Infrastructure Chief Executive is responsible for and makes decisions in relation to the built infrastructure aspects of the project.

The Palmerston Regional Hospital is jointly funded by the Commonwealth and Northern Territory governments. As the committee is aware, the Commonwealth will provide $110m to the project. To date, the NT government has received $56m of this. By June this year some $24.8m is projected to be spent on the hospital project, of which $9.8m will be NT government funding and the remaining $15m spent from Commonwealth monies received to date.

The NT government expects that the balance of the $56m from the Commonwealth government, being $41m, will be spent in 2016/17.

It is important to note that regulations under the *Procurement Act* require funding to be available prior to contracts being able to be awarded. That is, we need to be certain before we contract with parties to purchase a good or a service, that the funds to pay for the particular good or service is available. However, we would not actually make any payments until we have received delivery or performance. For this reason, there will necessarily be a lag between when funding is received from the Commonwealth and when payments are made for goods and services.

The Departments of Infrastructure and Health have prepared further information on the build progress and operational considerations. On this note, I will now pass over to David to deliver his opening statement.

*Mr McHugh:* Thanks Anne. Madam Chair, I will make an opening statement to update the committee on the current status of the construction works on the site at Palmerston Regional Hospital, and also provide an update on the status of the associated infrastructure works related to the development of the hospital.

With your approval, Madam Chair, I will provide the committee with some A3 photos – Glen, could you pass those around? – of current work on site, which includes some aerial photographs of the hospital site, the intersection of Temple Terrace and a perspective of the completed facility.

Also, with your indulgence, I will make a short presentation in the form of a computer-generated fly around of the hospital – fly through – if I may.

*Madam Chair:* Thank you.

*Mr Wood:* We need some music.

*Madam Chair:* Yes, we need some music, Dave.

*Mr Wood:* It is quite a good rural area.

*Mr McHugh:* The grey that is shown there may not be the final colour scheme, but it is indicative of the structure that will be built.

If you bear with us we will show you what we expect it to look like inside.
Madam CHAIR: Do you have any hospital beds in there or is it just foyers?

Mr MCHUGH: Our department is not responsible for furniture and fitting.

Madam CHAIR: Oh okay, I am just waiting for the wards.

Mr MCHUGH: Okay, thank you, Madam Chair.

Madam CHAIR: Very nice.

Mr MCHUGH: We continue to make significant progress with the project and as stated at the last meeting of the Public Accounts Committee in February we expect to complete all building works by March 2018.

The program that we provided at that stage which included planning phase completed in December, 95% design completed at the end of January, those targets have all been met.

Concrete structure is well under way as you can see. Roofing we expect to start in October 2016 and be completed in February 2017. The facade will take a little longer, to May 2017; internal finishes from August 2016 to December 2017; services commissioning, May 2017 to December 2017; and integrated system testing from December 2017 to January 2018.

The Lendlease construction program we provided in February is still in existence.

Our indicative program for delivery of infrastructure services has not changed, except that the Stuart Highway intersection is now complete. The access road to the hospital tender was awarded to Ostojic last week, so that is under way. There are current contracts in place for the water mains. We are designing the sewer main and that should be awarded sometime in July this year and completed by July next year. The same goes for the power supply and telecommunication, May 2016 to July 2017.

It is anticipated that all the milestones that have been set for the construction of this facility will be met. Wording of some of these milestones may have been modified from the original agreement, but the building completion milestone of March 2018 will be achieved. It is anticipated the project will be completed within the budget approved by the Northern Territory government. If there are any cost overruns, they will be have to be funded by the Northern Territory government. At this stage, we do not expect any cost overruns beyond the approved budget allocation for this building.

The Commonwealth funding authorised for 2015-16 financial year is $15m and the amount spent to date is $3.2m. Our expected expenditure is $15m by 30 June. The Northern Territory funding authorised for the 2015-16 financial year for building works is $10m and the amount spent to date is $3m. Our expected expenditure will be $9.8m by 30 June.

All contract packages awarded to date by Lendlease have been NT contractors and suppliers, and total value awarded is $19.9m. It is expected an additional $28.9m will be awarded by 30 June. The department is on all tender assessment panels to ensure local contractors are properly considered in the process. I can provide you with a detailed list of all the contractors if you wish. That is currently where we are.

Madam CHAIR: Thank you.
Ms FYLES: At the last hearings you provided us with the information that the department was still working with the Commonwealth to finalise the agreed payment milestones. Are we able to get an updated version of that today?

Mr MCHUGH: That is being worked on with the Department of Health and the Commonwealth, not my department. So I cannot provide you with that.

Ms FYLES: My question is not necessarily to you, it is to the group.

Mr WALDING: Yes, Adam Walding, Senior Director Capital and Facilities, Department of Health. The negotiation is still going with the Commonwealth. It is currently with the Commonwealth for final sign off and we are just waiting for that to come through. Once the federal minister has signed off it will come through. So, yes, we cannot provide a copy today. It is still being finalised.

Ms FYLES: In terms of payments, have all co-contributions been received to the Northern Territory government? The December report showed that they had not.

Mr WALDING: Sorry, could you just explain that again?

Ms FYLES: In the October to December status report the project costs are listed and there is the co-contributions had been received. The answer is no. I am just wondering if there has been an update to that.

Mr WALDING: Those payment milestones and those payments, they were changed at the new negotiations so there will be a different output. I am just trying to find that document.

Ms FYLES: Okay, I am happy if you want to take that on notice and get back to us.

Just in terms of payment milestones and I noticed Anne in the opening said $110m. Was that incorrect in hearing that?

Ms TAN: There was $110m from the Commonwealth government.

Ms FYLES: Okay, because on this report it has $90m. I am guessing that is from the feds?

Ms TAN: The funding from the federal government is split into two categories.

Ms FYLES: Okay.

Ms TAN: There is an amount that is coming through and I am not 100% certain that I have this terminology correct. It is $110m from the Commonwealth that is split between $40m that is coming in under non-health and hospital funding, a bucket for that, and the balance is coming through from health and hospital funding.

Ms FYLES: Okay and then what is the NTG contribution on top of that?

Ms TAN: The NTG will contribute $40m at this stage. That is what has been approved in the budget at this stage.

Ms FYLES: Okay, yes, thank you. In terms of milestones being met, it is a little bit tricky in terms of pouring of the concrete. In some papers it talks about the footings, others talk about the ground floor slab. Are you able to give us an accurate update of what – I notice we had a photo passed around before. I am guessing that would have been in the last couple of days.
Mr BRADY: Glen Brady, Department of Infrastructure. Currently we have completed 95% of the columns and 100% of the pad footings. As you will see in the imagery, there are lots of things sticking out of the ground, which are those pads and columns. We have now poured 4500 m$^2$ of concrete for the ground floor. We have another 1200 m$^2$ pour on Wednesday morning at 2 am and every five to seven days after that we will pour 1200 m$^2$ to 1500 m$^2$ area, depending on what section of the hospital it is. There is a staged pouring plan. The intent is to get through the majority of the ground floor, so that with that comes surfaces in the ground, drainage, storm water, sewerage and those types of things.

Then we will continue on and start in late April, early May after Anzac Day forming up the second level and start pouring that and run the project consecutively, so we work on the ground floor and the first floor at the same time and once we close off the ground floor, we will start working on the third floor and first floor, roof top, plant rooms in that order.

Ms FYLES: Is that in track or is there a slight delay? In the report, it indicated the end of March, but the wording jumps around so parts of …

Mr BRADY: There are absolutely no delays. We are right on track with the program.

Ms FYLES: This document shows us that at 29 April the base building will be completed. Is that still on track?

Mr BRADY: Completion of the base building?

Mr McHugh: There was never ever – excuse me. There was never ever a definition of what the base building was – oak? As far as I am concerned the base building is the building as complete, which will be March 2018. It is then fitted out after that by the Department of Health.

Ms FYLES: I am going on the official report we were provided and it clearly indicates that by 29 April there will be completion of a base building.

The pamphlet you have recently distributed – I am not sure who distributed it – says that staged internal fit-outs will commence in April. How does that fit? When is that staged internal fit-out to commence?

Mr BRADY: I think there was a word issue on that. It should be superstructure. There was a bit of a typo in that.

Ms FYLES: I am not sure how you have written a staged internal fit-out to commence to …

Mr BRADY: I can only tell you what is correct, and that is what I am telling you.

Ms FYLES: I am going by what is in the public domain.

Mr BRADY: I understand.

Ms FYLES: It clearly states ‘staged internal fit-out’. So it is meant to say ‘superstructure to commence’? Is that correct?

Mr BRADY: Superstructure. Concrete works, April, superstructure – I do not have it in front of me and I cannot recall what is on it.
Ms FYLES: It just says ‘March, pouring of the ground floor slab commenced April, construction of the main building structure continues including installation of essential services windows and external finishes. Stage internal fit-out to commence’. So that is fairly inaccurate?

Mr KALIMNIOS: Mike Kalimnios, Chief Operating Officer, Top End Health Services. Staged fit-out will occur across the program time frame. There will be a sort of an upswing in final fit-out once the building is handed over to health. We have to fit out things like, you know you can see beds in the presentation, that is when you put beds in, that is when you put the ED equipment in.

So April 2018 that will be fit out then, but up to that point in time there is an ongoing fit-out of internal equipment, internal facilities, some of the more high-tech equipment like medical imaging equipment. All that sort of stuff will be fitted out during that period.

That is a separate bucket of money from what the DOI group are talking about. They are talking about mainly the building components as I think Mr McHugh said before. Department of Health is responsible for fit-out of hospital equipment that is actually used in the delivery of the service.

That process certainly will commence as soon as there is a capacity within the building to do that. It is a matter of timing and planning. That is something we are working through at the moment as part of the hospital commissioning process. Exactly when that will occur and what equipment can we procure when. Some of the equipment, and I think that we went through this last time, there are different levels as in group one, group two, group three. Different parts of the project are responsible for procuring different bits of that equipment depending on what group it sits on or in.

As part of that process then we just work generally building and commissioning plan to make sure it is all fit out. Fitted out and ready to go. From a health point of view, we will see patients in May 2018. That is when we are intending to see the first patients. The building will be handed over to us, as Mr McHugh said, in March 2018. So we are on track to deliver that from our perspective.

Ms FYLES: I guess part of the reason that this committee is taking such an interest is because today the public does not have much confidence in the project. To get a pamphlet in your letterbox that says staged internal fit-out to commence, it also says window and external finishes are going to be in April. From those images we just saw that is clearly not the case.

Mr McHUGH: Does it indicate a completion of that time line?

Ms FYLES: So this document says the installation of windows and external finishes. We just saw images of …

Mr McHUGH: Yes, but over what period?

Ms FYLES: April 2016.

Mr McHUGH: To when?

Ms FYLES: Will there be one single window in this facility in April 2016?

Mr McHUGH: No.
Ms FYLES: So one would question that this document is misleading the community. It is quite obvious what is written there. If I read a document that said ‘installation of a window and external finishes’, I would expect to see a window frame somewhere in the building. I appreciate that we now have some concrete and columns, but I thought it important to point out that material issued by the NT government that is not accurate.

Mr McHUGH: That shows a time line. It does not show a deliverable date. It shows that these things will be over this period.

Ms FYLES: The community would expect if there is a time line of April 2016 – it says, ‘construction of the main building continues including installation of essential services windows and external finishes’ – to see a window somewhere in that building.

Mr McHUGH: When does it show the next item?

Ms FYLES: It says ‘April 2016, a window is installed in the Palmerston hospital’, yet we clearly know that will not happen.

Mr McHUGH: No, it will not happen.

Ms FYLES: We might ask some more questions on that. Regarding milestones with the federal government, how is it going regarding negotiation on milestone No 6 being agreed to – the additional milestone that was required?

Mr WALDING: Adam Walding. Can I reference my …

Ms FYLES: Yes.

Mr WALDING: … milestone No 6. It was No 6?

Ms FYLES: This document shows the change initially in the project from a public private partnership to the Lendlease deal. It says:

*The description payment and timing to reflect the construction schedule, note an addition milestone has been proposed in negotiations. If agreed to, this will be milestone 6.*

I am wondering what the status of that is.

Mr WALDING: To answer that, all those milestones have changed. Now we have the Lendlease construction program, we have reflected it accurately with what they will progress, as well as cash flows. So the funding will align with the actual progress of the project. Still …

Ms FYLES: And that is in the document that is still being negotiated with the feds? Okay.

Mr WALDING: That is correct, yes.

Ms FYLES: Okay, that makes sense.

Mr WALDING: That will refine where we have those clarification points with what the milestone is, such as construct base building, for example.

Ms FYLES: Yes.

Mr WALDING: We have defined those and they are more meaningful, so people can get a clear understanding of what we are talking about.
Ms FYLES: Where it says here, ‘Completion of building to lock-up to allow an internal fit-out to commence’, the agreed original milestone was 29 April 2016 and it was pushed out to 31 August 2016. That will again be re-evaluated in this new document that we may see?

Mr WALDING: Yes. They will change. Again, purely because we have Lendlease construction program and it is to reflect back into that space.

Mr WOOD: The construction of the intersection. What was the original pricing and what price has it finished up on?

Mr MCHUGH: The original price was about $6.5m and I think that it cost us about another $3m or $3.4m on top of that. That is because the Department of Transport wanted to put in additional lanes at the intersection.

Ms FYLES: Sorry to interrupt. Gerry, is that the intersection of the Stuart Highway and Temple Terrace?

Mr WOOD: Yes, the one that leads into the Litchfield hospital. No it is alright. The one that leads into the drive point, eventually it will be the drive point connector road.

I suppose I have to ask, I think I asked you last time and I know at the time you said you were doing the job of the extension. There is a bicycle path down the bottom there. I actually had a whisper in Tom’s ear. This was before I knew he had the contract by the way and he gave me rough prices on culverts and they did not come up to $2.5. That was what was quoted to put that cycle path underneath.

As you can see from this photo, the cycle path would go across here and it would cross seven lanes of traffic. Have you had some rethought about putting that cycle path under the road before it is extended any further?

Mr MCHUGH: We have, but the clients have said no.

Mr WOOD: I am one of the clients.

Mr MCHUGH: Yes, I understand that but I am saying that the departments that we service…

Mr WOOD: Who are the departments that you service?

Mr MCHUGH: The Department of Lands and the Department of Transport.

Mr WOOD: I would have thought that they would be in favour of safe cycling.

Mr MCHUGH: I am sure they are, that is why they have put it through a traffic light.

Mr WOOD: They obviously do not like cycling, having to stop. Alright, anyway we can ask them more questions on that at estimate. So I have to keep writing to minister Chandler if I want to try and have that changed? I could ask, do you think that $2.5m is a pie in the sky price for putting culverts under approximately, I do not know, 20 m of road?

Mr MCHUGH: It is probably not, considering what you have to do in terms of lighting and everything else that is required.

Mr WOOD: I am not sure that they need lighting but anyway that is an urban pipe not a rural pipe.
The other thing was in relation to the total costs of this; will you be able to separate the sewerage, water and other infrastructure that is not part of this total package? The amount of money you have is that much. Will there be a certain amount of money contributed to the construction of this road, sewerage, water and the undergrounding of the high voltage power line? Will that all be part of the package, but separated from the hospital infrastructure cost?

Mr McHugh: That is correct. We provided, in response to the last PAC meeting, a breakdown of where we thought the expenditure would be in relation to the infrastructure that is not part of the hospital site, which is the access road, the intersection, water and power and telecommunications.

Mr Wood: Will the new contract to the hospital have the Glyde Point Road plus an internal road? I have not seen the design.

Mr McHugh: Yes, that is correct. It starts at Glyde Point Road and then comes off into the hospital, yes.

Mr Wood: How much is that worth?

Mr McHugh: That is Ostojic’s contract of about $7.5m or $7.8m.

Mr Wood: It will not be any more than $7.5m?

Mr McHugh: Not at this point in time, no.

Mr Wood: Okay. We will keep an eye on it. That is a fairly large amount extra on the previous contract, even so. Some of that discussion about extra lanes was put to the community meeting we held quite a few years ago at Palmerston. I was surprised those extra lanes cost that much more than it was thought originally it would cost. It is an improvement.

Ms Manison: My question is probably for Mr Kalimnios and the Department of Health staff. With regard to the fit-out of the hospital and the work being done around that, I assume I have it right it is anything to be associated with the building - the light switches, the fans, power points – is all handled through the construction contract?

Mr McHugh: That is correct, yes.

Ms Manison: Then once it comes to the medical equipment, the beds and furniture, that all turns over to the Department of Health. You said before that planning is under way in trying to procure the goods you need to get to make a hospital fully operational. What work has been done around the total costing of those internal fit-outs the Department of Health will need to put to ensure we have a fully operational Palmerston Regional Hospital?

Mr Kalimnios: As part of our overall clinical consultation process, we are going through quite a detailed planning exercise, working with clinicians about what needs to go into the hospital right down to room design, at that level. We obviously need to make sure that the equipment fits the services to be delivered there and the sorts of models of care that we need to deliver at the hospital. So that is an integral part of the whole model of care clinical consultation process. That is progressing really well.

We are in a phase at the moment where we have done some preliminary estimates and costings of that. That is currently going through a budget process as per normal to look at how we fund that and what funding might be available to do that. That has been a fairly
positive and interactive process with all the various agencies across government. We will probably be in a position within the next few weeks to identify exactly how much funding we have for FFA, as we call it, and exactly what the requirement will be.

Ms MANISON: So you are unable to provide us with a ballpark estimate on that fit out yet?

Mr KALMNIO: It is probably still preliminary to do that simply because we are still finalising and working through that. We are fairly advanced in it. But obviously we need to make sure our clinicians are comfortable with the service models that we are looking at in terms of delivering the particular service care that we are delivering there. We want to get that right before we commit to specific numbers, figures and types of equipment. We are also going through the final room design process which we have to finalise in the next few weeks. That obviously informs that process as well in terms of what we need and require.

Ms MANISON: As you alluded to we are in the budget cycle period where we see a lot of pre-budget announcements. We know that the budget is coming up very shortly. Can we expect to see that final dollar figure to anticipate how many millions of dollars it will cost to fit out the hospital in the upcoming budget?

Mr KALMNIO: Certainly we are working within budget frame work and budget process so I will leave announcements about the budget to others. We are working within the normal budget frame work process.

Ms MANISON: Thank you.

Madam CHAIR: Thank you all very much for coming along this afternoon. Mr Brett Brogan, Ms Anne Tan from DCM, Mr David McHugh, Mr Glen Brady from the Department of Infrastructure, Ms Janet Anderson, Mr Michael Kalimnios and Mr Adam Walding from the Department of Health. Thank you for your time.

The committee suspended.