



## Office of the Auditor General Western Australia

### Summary of the Performance Examination

## Fiona Stanley Hospital Project

Report 5 – June 2010

### Background

At an estimated capital cost of \$1.76 billion, the Fiona Stanley Hospital (FSH) is Western Australian Government's largest ever building project. Government announced it would build a new tertiary hospital for the southern metropolitan area in 2004 in response to the Reid Report on Health Reform. The FSH forward works began in July 2008 and construction started in March 2009 for a planned opening in May 2014.

WA Health will own and operate FSH, and is responsible for the overall project management and budget. Since early 2009, the Department of Treasury and Finance-Strategic Projects on behalf of the Minister for Works, has been overseeing the building of FSH for WA Health.

A two stage contracting model is being used to build FSH. In February 2009, Brookfield Multiplex was appointed the Managing Contractor for stage one design and construction. The stage two contract is scheduled to be awarded in August 2010.

We examined the planning and management of the FSH project between March 2004 and April 2010.

We focused on three main lines of inquiry:

- What is the current status of the FSH against original scope, cost and time estimates?
- Has the FSH project been effectively planned and managed?
- Have significant project risks been identified and are there arrangements in place to manage them?

### What the examination found...

The estimated capital costs of the FSH stand at \$1.76 billion compared with an original estimate of \$420 million, and the opening date is between three and a half and four years later than originally planned. In common with other capital projects, the original estimates were unrealistic and were not based on a good understanding of what this major project would involve. Better

definition of the requirements of the hospital has resulted in scope changes which have increased forecast costs, and delayed the opening.

The planning phase for FSH was neither efficient nor effective. Attempts to fast track project planning to meet unrealistic deadlines caused delays and risks. The project business case and other key planning documents had significant gaps which required additional time and resources to fix. Oversight was hampered by a lack of full and timely information. This delayed final project approval, and the start of subsequent phases. The additional scrutiny did, however, have the benefit of producing a more realistic scope, budget and timeline for the project which have so far proved robust. Project management and governance frameworks are defined and agreed, and the awarding of the stage two construction contract will transfer the responsibility for finalising the design and construction to the contractor and provide more certainty about project costs.

Significant risks remain on the project. While these risks have been identified the strategies to manage them are not all well advanced. Particular attention needs to be paid to transition and workforce planning, and the delivery of key information and communications technology systems. Without effective management of these risks FSH may be further delayed, cost more and may not deliver all the planned services to patients when it opens.

## What the examination recommended...

WA Health should ensure that all future health infrastructure projects conform to the Strategic Asset Management (SAM) framework so that projects:

- are supported by a robust business case that incorporates identified health needs and whole of life costs
- have budgets and timelines that are based on sound planning and a clearly defined scope
- are planned in a structured and orderly way to minimise risk to the State.

The Department of Treasury and Finance should reinforce the SAM framework with more rigorous staged project approval processes, and only recommend funding for those projects that demonstrate realistic budgets and timelines supported by sound planning.

WA Health should progress its mitigation strategies for the remaining risks to ensure the hospital is fully operational on opening.