

# Capacity Expansion Program

## Terms of Reference for Independent Review

## 1. Background

The Capacity Expansion Program (CEP or Program) is a major initiative to increase Queensland's hospital capacity through the construction of new hospital facilities and the expansion of existing hospitals.

The CEP was initially announced in 2022 as a \$9.785 billion program. The current non-binding unmitigated forward cost estimates from contractors is understood to total \$16 billion or higher.

Market Intelligence reported through Infrastructure Partnerships Australia indicates the cost of the CEP is closer to the range of \$19-23 billion if challenges are not addressed immediately.

The Queensland Government requires an independent review into the Program to understand the status of the projects, any cost and time pressures, capacity constraints of the construction sector in Queensland and Australia, and how the CEP compares to other health infrastructure programs, locally and nationally.

## 2. Review

An independent review will provide a focused, time-limited assessment of these issues to deliver actionable recommendations for improving current and future health infrastructure projects.

## 3. Scope of the Review

The review will focus on:

- Projects currently under the CEP.
- Processes, decisions, and external factors contributing to cost and schedule overruns.
- Comparative analysis with similar health infrastructure programs in Queensland and other jurisdictions.

## 4. Objectives of the Review

The independent review will:

- i. **Evaluate Governance and Oversight**

- Assess the governance structures and accountability mechanisms in place for CEP delivery.
- Identify deficiencies in oversight that may have contributed to underperformance.
- ii. **Assess Project Management and Delivery**
  - Review project management practices, including planning, procurement, risk management, and contract administration.
  - Identify factors leading to delays, cost escalations, and other performance issues.
- iii. **Examine Cost Escalations**
  - Investigate the root causes of budget overruns, including potential deficiencies in project planning, communication of project issues, scope changes, external economic pressures, contracting models for construction, and inefficiencies.
  - Assess the accuracy and robustness of reference designs, cost estimation and forecasting processes.
  - Consider the impact of the Best Practice Industry Conditions (BPIC) policy on cost and project timelines.
- iv. **Analyse Stakeholder Engagement**
  - Review the effectiveness of engagement with key stakeholders, contractors and industry advisors.
  - Assess how stakeholder input has been incorporated into the Program’s planning and delivery – including how consistent external advice on program frailties was considered and communicated.
- v. **Identify Lessons Learned**
  - Highlight key lessons from the CEP and comparable infrastructure programs, with particular reference to successful programs in other Australian jurisdictions.
  - Provide practical recommendations to enhance governance, management, and delivery of future health infrastructure programs.

## 5. Leadership of the Review

The review will be conducted by an independent expert with demonstrated expertise in:

- Public health infrastructure program delivery
- Financial oversight and cost control
- Governance and accountability in public sector programs.

The appointed expert will have no prior involvement with the CEP to ensure objectivity and impartiality.

## 6. Methodology

The review will adopt a concise and evidence-based approach, including:

- **Document Reviews:** Analysis of CEP documentation, such as business cases, contracts, budgets, and project reports.
- **Stakeholder Engagement:** Consultations with government, contractors, and other key stakeholders.
- **Comparative Analysis:** Benchmarking against comparable infrastructure projects in health and other sectors.

## 7. Deliverables

The review expert(s) will deliver:

- i. A private **Draft Report** within 45 days of commencement, summarising findings and making recommendations to enable timely contractual decision making, including:
  - Analysis of CEP performance and management issues.
  - Analysis of likely delivery, budget and clinical outcomes should the program remain unadjusted.
  - Evidence-based recommendations for improvement, informed by local service need.
  - Model schedule and budget for an appropriately adjusted program cognisant of prevailing market conditions.
  - Practical steps to strengthen delivery of current and future projects.
- ii. A **Final Report** within 60 days of commencement, finalised to be considered for public release.

## 8. Reporting and Accountability

The review expert will report directly to the Minister for Health and Ambulance Services. The Final Report will be publicly released to ensure transparency and accountability.

## 9. Timeframe

The review will commence in January and conclude within 60 days.

## 10. Confidentiality and Transparency

The review will balance confidentiality requirements with a commitment to transparency, ensuring sensitive information is managed appropriately.

## 11. Resourcing

Queensland Health will provide secretariat support and ensure access to all necessary documentation and personnel for the review.

## 12. Outcomes

The review aims to restore public confidence in the value for money of the CEP, ensure the efficient use of public funds, and enhance Queensland's capacity to deliver high-quality health infrastructure on time and within budget.