

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2023–24 Budget Estimates

Melbourne – Friday 9 June 2023

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell

WITNESSES

Ms Mary-Anne Thomas MP, Minister for Health Infrastructure,

Professor Euan Wallace, Secretary,

Mr Daen Dorazio, Deputy Secretary, Corporate Services,

Mr Chris Hotham, Deputy Secretary, Health Infrastructure,

Ms Megan Bourke-O'Neil, Chief Executive Officer, Victorian Health Building Authority, and

Ms Deanne Leaver, Interim Chief Executive Officer, Victorian Health Building Authority, Department of Health.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2023–24 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Minister for Health Infrastructure the Honourable Mary-Anne Thomas and officers from the Department of Health. Minister, I am going to invite you to make a 5-minute opening statement or presentation, and this will be followed by questions from the committee. Your time starts now.

Mary-Anne THOMAS: Thank you very much, Ms Connolly. Could I begin by acknowledging the traditional owners of the land on which we are gathered, the Wurundjeri people of the Kulin nation. I wish to pay my respects to elders past and present and acknowledge any Aboriginal or Torres Strait Islander people who are with us today.

Visual presentation.

Mary-Anne THOMAS: The Victorian government has made unprecedented investments in Victoria's health system, with more than \$133 billion in funding since coming into office, ensuring all Victorians have access to the care, treatment and support they need to stay happy, healthy and well. Over the past year 21 projects have been completed, including Australia's first dedicated heart hospital. The new \$577 million facility is the first standalone specialist cardiac hospital in Australia, and it recently treated its 1000th patient. It has capacity to deliver up to 2150 cardiac surgeries, 28,300 emergency presentations and 108,000 consultations and outpatient appointments each year. The hospital will also generate \$400 million in revenue annually to the local and Victorian economies.

For Footscray Hospital, we have recently celebrated it reaching the halfway mark, with the first three buildings at their maximum height, and fit-out of the emergency department is underway. In terms of mental health beds and the expansion program, this past year we have continued to implement recommendations from the Royal Commission into Victoria's Mental Health System, with \$801 million invested to deliver 260 new acute mental health beds across nine health facilities.

The Victorian government remains unwavering in its commitment to deliver a world-class healthcare system that ensures every Victorian can access safe, quality care that leads to better health outcomes for all.

Infrastructure investment has grown from more than \$220 million to \$3.2 billion in a decade across portfolios, and I think you can see this is another slide that tells a significant story about our government's commitment. The record investment has seen major projects completed across the state, including the Joan Kirner Women's and Children's Hospital; the new emergency department at Sunshine Hospital; the new Echuca cancer and wellness centre, which I had the opportunity of officially opening only last week; and the largest regional infrastructure development in Victoria's history with the completion of the new Bendigo Hospital.

Next slide, please. We are already delivering the largest health infrastructure pipeline in the state's history, and with our commitments last year this will increase to more than \$15 billion. We are getting on with delivering critical expansions at some of Victoria's busiest emergency departments and providing support for parents through new and upgraded early parenting centres right across the state. Works continue at pace in our major hospital redevelopments, including Warrnambool, Frankston, Wonthaggi and Shepparton.

We are also getting on with delivering the largest hospital project in Australia's history, with massive upgrades to the Royal Melbourne Hospital and the Royal Women's Hospital and the construction of the new Arden medical precinct.

Next slide, please. We continue to provide critical infrastructure upgrades for regional health services through RHIF, the largest program of its type in Victoria, with over 630 projects delivered. To build a better healthcare system we need the infrastructure to ensure that patients get the care they need when they need it, no matter where they live. This budget sees \$659 million invested in building new and upgrading health infrastructure across Victoria. This includes \$320 million to commence planning and development for seven new hospital upgrades.

Next slide, please. In this year's budget a new \$320 million Hospital Infrastructure Delivery Fund has been established to kickstart planning, development and land acquisition for seven new hospitals across the state.

Next slide, please. A further \$114 million is invested to deliver critical infrastructure across the state, with a \$40 million boost to the Metropolitan Health Infrastructure Fund and \$44 million to deliver eight more PET scanners in our busiest hospitals.

Next slide. A \$162 million package will provide better aged care services for regional Victorians in Cohuna, Maffra and Numurkah.

Next slide, please. And in response to the royal commission, we have established a dedicated capital investment fund to provide the mental health infrastructure Victorians need. This year the fund will invest \$53 million for planning and development, including a detailed design for stage 3 of Thomas Embling and \$10 million to upgrade infrastructure across a range of mental health services. Thank you.

The CHAIR: Thank you, Minister. I am going to hand the first 7 minutes to the Deputy Chair.

Nicholas McGOWAN: Thank you very much. Secretary, I refer to the PAEC questionnaire, page 64, question 10, the interest expense of projects being delivered under PPPs, attachment 1(a). What is the total borrowing underpinning the \$141 million interest bill paid from the public purse in 2021–22?

Euan WALLACE: Sorry, what was the reference again?

Nicholas McGOWAN: Page 64, question 10.

Euan WALLACE: I might ask Mr Hotham.

Nicholas McGOWAN: Sure.

Chris HOTHAM: Thank you. Thank you, Mr McGowan, for your question. As you would be aware, we have a number of PPP projects. That is an incredibly important model to us in the delivery of some of our major infrastructure given that it attracts private investment and additional scope and innovation from those partners. As per the questionnaire, you can see there the related projects that we are currently paying interest on include Casey/Berwick, the Royal Women's, the Royal Children's, the Victorian Comprehensive Cancer Centre, Bendigo Hospital, Casey Hospital, the new Footscray and Frankston. And those numbers and the total PPP related investment is outlined in the papers.

Nicholas McGOWAN: Okay. And the interest bill being paid from the public purse in 2021–22?

Chris HOTHAM: Your question again, sorry.

Nicholas McGOWAN: The total interest bill being paid.

Chris HOTHAM: In 2021–22 it was \$141 million.

Danny O’Brien: I think the question was what the quantum of the borrowing is that gives us that –

Nicholas McGOWAN: The underpinning.

Chris HOTHAM: I would have to take that on notice.

Nicholas McGOWAN: If you could please take that on notice, thank you. If you could also take on notice the interest rate being paid. I presume you do not have that. If you do, I would like –

Chris HOTHAM: I do not have that to hand.

Nicholas McGOWAN: Okay. If you could take that on notice, please. What is the total borrowing – again, it is about the borrowing as Mr O’Brien was pointing out – underpinning the revised 2022–23 interest bill of \$190 million, because that is \$49 million more than last year obviously.

Chris HOTHAM: Looking again at the questionnaire, to those numbers, you can see \$141 million in the 2021–22 financial year, \$190 million in the 2022–23 as you are referring and \$227 million in the following year. The borrowings and the change in those cash flows associated with the programs are related to the cash flow and expenditure under the PPP model. Many of those – they are all a little different – will be 20 and 30 years worth of PPP model where we have the government’s capital investment complemented by the investment of private partners. And of course the overall numbers encompass the operating costs. You were referring, Mr McGowan, I think to the difference year to year. The difference year to year reflects the trajectory and change in expenditure associated with the cash flow of those projects.

Nicholas McGOWAN: I understand that, thank you. What I am actually after is the borrowing that underpins the successive years, so 2022–23 and 2023–24. I understand that the interest bill is \$190 million and \$227 million. If you can come back to me on those, that would be great, thank you.

Chris HOTHAM: Yes.

Nicholas McGOWAN: Perhaps another question for yourself then. In the PAEC questionnaire, page 65, and the response to part b) of question 10, attachment 1(b), which relates to PPP expenses over the forward estimates, in table a) the total operating expenses for 2022–23 were revised at \$371 million. That is in table a). In table b) this figure is \$500 million – an additional \$129 million. Can you explain why there is a difference there? Do you want me to go through that again?

Mary-Anne THOMAS: Mr McGowan, could you speak a little bit more clearly, please?

Nicholas McGOWAN: Sure. In table a) the total operating expenses for 2022–23 is \$371 million. However, in table b), this figure is \$500 million.

Danny O’Brien: For all the PPPs.

Nicholas McGOWAN: For all PPPs.

Danny O’Brien: Same PPPs but the figures are different.

Chris HOTHAM: I believe it would be in relation to what has come online in that financial year, but we can come back to you on that.

Nicholas McGOWAN: If you could please come back to me, thank you. I refer to budget paper 5, page 106, the overall interest expense for the department. Are there further interest rate expenses other than the PPP interest relating to health infrastructure in the figures?

Chris HOTHAM: The question again, Mr McGowan?

Nicholas McGOWAN: That is okay. In respect to the overall interest expense for the department, are there further interest rate expenses other than the PPP interest relating to health infrastructure in those figures – page 106?

Chris HOTHAM: In terms of the broader interest rate expenses of the department, I might defer to my colleague Mr Dorazio.

Nicholas McGOWAN: Sure. Mr Dorazio.

Daen DORAZIO: Sorry, which page are you referring to?

Nicholas McGOWAN: Page 106.

Daen DORAZIO: Page 106.

Danny O'BRIEN: The question is: there is an interest expense on that page. What we have got in the questionnaire is the PPP expense. We are trying to work out: is there an additional interest expense on top of the PPPs – that the department paying for other borrowings – or is it the same thing?

Daen DORAZIO: Borrowings outside of PPPs are all through Department of Treasury and Finance; the TCV manages our debt portfolio. There may be some small items, but I would have to take those on notice.

Danny O'BRIEN: Yes. I am happy for you to take it on notice, specifically about your department. I am wanting to know: obviously it is through TCV, but the interest expense – is it only to PPPs or are there PPPs plus other borrowings?

Daen DORAZIO: I will have confirm that.

Danny O'BRIEN: You will take that on notice? Thank you. Sorry, Deputy Chair.

Nicholas McGOWAN: That is okay. Professor Wallace, if I can just ask a question on budget paper 4, page 74, regarding 'Women's Prevention and Recovery Care (PARC) Service (metropolitan various)'. The project was funded in 2016–17 with an original completion date of 2018. Why is this project four years late when it was due to finish before COVID?

Euan WALLACE: The women's prevention and recovery care service – Mr Hotham?

Chris HOTHAM: I might defer to Ms Leaver on this one. Thank you.

Deanne LEAVER: Thank you. That project initially did run into some challenges around determining an appropriate location and an appropriate site for that project, and through COVID that obviously then meant that there were some delays to the project, but I am pleased to say that that project is now completed and is now operational. That was the main reason behind some of the delays in that project.

Nicholas McGOWAN: What were the costs of those delays, do you know?

Deanne LEAVER: There was no additional cost in terms of the sites. I think there was a small increase on that.

The CHAIR: Apologies. The time is up. We are now going to hand to Mr Galea.

Michael GALEA: Thank you, Chair. Morning again, Minister. Morning, officials. Minister, if I can refer you to budget paper 4, page 67, which outlines the number of new projects in this budget for new health infrastructure projects. Could you please outline some of these investments and the difference that they will make for the Victorian healthcare system?

Mary-Anne THOMAS: Yes, I will be very happy to. Thank you. Just bear with me for a moment.

Thank you again for that important question, Mr Galea, and for your ongoing interest in our health services and indeed our record investment in health infrastructure. As I did earlier, I would like to draw the committee's attention back to my presentation and the very telling slide that points to the record investment that our government has made and how that investment continues to increase over time as we work to meet the needs of our growing population and ensure that we are delivering first-class health care to all Victorians.

I want to tell you a few things about our budget commitments, and of course, importantly, you will note that the budget refers to the Hospital Infrastructure Delivery Fund. This is a \$320 million fund. It is a fund that I was really pleased to see actually was warmly welcomed by both the CEO and the chair at West Gippsland in recent media. What this funding will enable us to do is to work on the planning and early works associated with the delivery of seven of our election commitments – the commitments that we have made to the people of Victoria. Of course they include the new hospital at West Gippsland; the QE II hospital at Maroondah, and of course I was able to visit that site last September, and that announcement was very warmly received by the hospital CEO and the chair, and I know it was warmly welcomed by staff out there and also the local members of Parliament; the Dandenong Hospital, of course continuing to serve one of Victoria's more disadvantaged communities and obviously providing very important health services; the Wonthaggi Hospital – the Wonthaggi Hospital I have had a number of opportunities to visit of course with the very hardworking local MP down there Jordan Crugnale to open the \$115 million upgrade and expansion that has already been delivered, and to be able to start works to prepare for the next stage of that upgrade is something that we are very excited about; and of course Monash Medical Centre – again, I was able to visit that site with local members and indeed the Premier to announce that we would deliver this very important hospital.

So I want to make the point that when you deliver a health infrastructure program of the size and scale that our Victorian Health Building Authority does and that our government continues to invest in, you learn a few things along the way. Of course one of those is the absolute importance of planning and early works. I might say quite humbly as the minister for infrastructure that I have been struck by the level of work that is required to get a project before one will even see works happen on the ground. So no-one should never mistake 'no-one on site' as meaning that there is not a hive of activity going on to deliver our health services.

And of course we look to the past and we look to where significant mistakes have been made or where indeed proper planning did not take place, and there is no better example than the eye and ear hospital, which of course was a project that was announced by the previous Liberal–National government here in the state of Victoria. Because of lack of proper planning, that government was unaware that the building was in fact riddled with asbestos. So when we look at that project, one which I am glad to see is now in our budget papers as a completed project, let us be clear: it cost twice as much and took three times longer to deliver than originally forecast under the mismanagement of the former Liberal–National government because of their failure to do the proper work with planning and early delivery.

Some of the work that will be included in this includes completing clinical service plans, master plans, due diligence investigations and feasibility studies; detailed design work; acquiring land where needed; further due diligence investigations, including legal, contamination, environmental, heritage, town planning, site services, traffic management, geotechnical and site surveys, all of which are required; and feasibility studies to provide confidence that the project option will deliver the most cost-efficient and effective delivery outcome. And I might say on this note that driving best value for Victorian taxpayers is absolutely at the heart of everything that we do and in terms of our procurement methodologies. We also need to develop detailed cost plans, and completion of these works in operational environments is obviously quite difficult, as you would understand. Greenfield sites have their own challenges, and I am sure I will have an opportunity to talk to those, but brownfield sites indeed, where we have to continue to deliver 24/7 care and build new infrastructure, can be exceedingly complex. So it is really important with each of these projects that are at different stages of development that we invest this funding to get our projects right. There is so much more I could tell you, but it looks like I have run out of time.

Michael GALEA: I am afraid so. Thank you, Minister. Thank you, Chair.

The CHAIR: Thank you, Minister. I am going to Ms McArthur.

Bev McARTHUR: This is to Secretary Hotham, please – Deputy Secretary. Sorry, I just promoted you. Next time you will be Secretary.

Danny O'BRIEN: That is not a forewarning, Professor.

Bev McARTHUR: You are still there for the minute. I refer to budget paper 5, page 107, and the 'Borrowings' line. I note an increase in borrowings from \$3.39 billion in borrowings last year to \$4.14 billion this year. That is an increase of \$750 million, Mr Hotham. What health infrastructure projects are the additional \$750 million in borrowings funding?

Chris HOTHAM: Thank you for the question, Ms McArthur. As you are invoking those numbers, you are invoking the scale of investment and related borrowings across the portfolio. In the last three budget cycles we have had \$1.87 billion in 2020–21, \$1.6 billion in 2021–22 and \$2.5 billion in 2023, with another \$659 million in this financial year, so that now brings us to a cumulative total of \$15 billion worth of managed projects within the portfolio, and the borrowings you refer to are helping to service that pipeline.

Bev McARTHUR: So relating to the borrowings again, the borrowings for 2023–24 balloon out to \$4.986 billion. That is an extra \$846 million in one year. What health infrastructure projects is this additional \$846 million funding specifically, Mr Hotham?

Chris HOTHAM: So you are referring to the increase in this financial year?

Bev McARTHUR: Yes, for 2023–24. Your estimates balloon out to \$4.986 billion.

Chris HOTHAM: As the minister has described, the centrepiece of the 2023–24 budget is the \$320 million health infrastructure delivery fund – that is, as part of the overall \$659.8 million investment. Other major investments in this cycle include, really pleasingly for us, the next stage of the Thomas Embling Hospital; a significant investment in regional PSRACS in Numurkah, Maffra and Cohuna; PET scanners as part of the program for this year; and a new ambulance station in Armstrong Creek. So there is a variety of new infrastructure, Ms McArthur, that will be serviced by that borrowing.

Bev McARTHUR: Thank you, Mr Hotham. Now let us go to budget paper 4, page 74, attachment 3(b), and I note that the Victorian Heart Hospital has finally made it to the completed page, \$427 million over budget and 24 quarters – six years – later than Labor said it would be finished. Was money borrowed to cover the huge cost blowout of this project, Mr Hotham?

Chris HOTHAM: Is that a question for me? Look, very pleasingly, as you say, that project has been completed in the last 12 months.

Bev McARTHUR: \$427 million over budget.

Chris HOTHAM: 'Over budget' I do not believe is a correct characterisation. Like many of our projects, this is a project where funding is staged, announced and released –

Mary-Anne THOMAS: Exactly, and I might interject, if I may. This is an Australian first, and it will –

Bev McARTHUR: First in blowout level.

Mary-Anne THOMAS: It will deliver not only benefits in terms of the healthcare services that it provides. But I think the Deputy Secretary was making the point that throughout the development of the project it has been funded to its scope, and we are very pleased that it has now been delivered. It has already treated 1000 patients. It will be yet another drawcard for the world's very best clinicians. It adds to our government's leadership in medical research and health care.

Bev McARTHUR: So, Mr Hotham, what was the total –

Chris HOTHAM: I am happy to go to the numbers, Mrs McArthur.

Bev McARTHUR: Thank you very much.

Chris HOTHAM: In 2015–16 there was \$15 million announced for planning. That is back to that original announcement. Of course that was never going to be the capital spend. In 2016–17 it was \$135 million, and in 2018–19 it was \$543 million. That was the then TEI, and the additional –

Danny O'BRIEN: Sorry, what was that last figure?

Bev McARTHUR: The last figure, Mr Hotham.

Danny O'BRIEN: I did not hear what that last figure was, sorry.

Chris HOTHAM: The full figure for the project?

Danny O'BRIEN: No, the last figure for 2018–19.

Chris HOTHAM: In 2018–19 the TEI was crystallised at \$543 million. Since then and in the last 12 months we had the addition of a helipad, so that is additional scope. And I guess to the characterisation of blowout, I could not accept that given that it is a bigger project.

Danny O'BRIEN: What is the total?

Chris HOTHAM: The total TEI for the heart hospital in the end was \$577 million.

Danny O'BRIEN: 577.

Bev McARTHUR: So what is the interest expense to cover all that?

Mary-Anne THOMAS: By the way, I might say, given what the heart hospital will deliver not just for Victoria but for Australia, this is money that is has been exceptionally –

Bev McARTHUR: No, we are just interested in the taxpayers contribution.

Mary-Anne THOMAS: Yes, as am I. It is exceptionally well spent and indeed has been well managed.

Bev McARTHUR: We are not here to get the spin. The health infrastructure is clearly on the credit card. I mean, your wonderful leader Mr Andrews said they could fully fund all this without going into further debt. You have gone into further debt; we have got an interest bill.

Mary-Anne THOMAS: Again, I might interrupt, if I may. I think the Premier has been very clear at all times when it comes to our government's priorities and the way in which we are managing our massive capital investments both in the health portfolio and in other portfolios.

Bev McARTHUR: You have got not one project on budget or on time, Minister.

Mary-Anne THOMAS: Indeed that is not correct. But as the Premier has delineated, and to make it as simple as possible for people to understand, many of us have mortgages. We have mortgages and we carry that mortgage, but it is a good debt because we are paying off an asset and indeed we are paying off an asset that delivers a whole range –

Bev McArthur interjected.

Mary-Anne THOMAS: Mrs McArthur, are you always this rude? Would you mind just listening, please?

The CHAIR: Thank you, Minister. Unfortunately, Mrs McArthur, your time is up. We will go to Ms Kathage.

Lauren KATHAGE: Thank you, Chair, Minister and officials. I want to talk about capital investment as well – budget paper 4, page 67. But particularly, Minister, I want to ask about the budget's investment in health care for regional and rural Victorians.

Mary-Anne THOMAS: Thank you very much. That is a great question, and again as a regional member of Parliament this is obviously something that is very important to me. I know looking at the committee members there are many who will be very interested to hear about our government's record investment into regional health services. Our government believes that every Victorian should be able to get access to the health care that they need as close to home as possible. Obviously this does present some challenges, because Victoria does have some very remote communities. But nonetheless there are a range of ways in which – not just our

infrastructure projects – we are seeing different models of care that take advantage of the many opportunities that virtual care delivers. We are seeing ourselves well on the way to being able to realise that aspiration. I might say that our health budget contributes to our government's record investment into rural and regional Victoria. Of course as a former regional development minister, I am very well aware that certainly as of last year our government had committed \$30 billion into rural and regional Victoria, which is four times greater than we ever saw under the previous coalition government. This budget builds on the Andrews Labor government's –

Danny O'BRIEN: It was \$8 billion three years ago; it was \$5 billion from the minister yesterday. You guys need to work on your figures.

Mary-Anne THOMAS: I am talking about our global investment into rural and regional Victoria, which you would be aware of because you were at last year's PAEC hearing. Some projects that we have completed include our \$630 million Bendigo Hospital, a hospital of course that is very important to my own local community and one that serves the people of central Victoria very, very well. Indeed that is the largest regional infrastructure development in Victoria's history.

The \$229.349 million Goulburn Valley Health Shepparton redevelopment – I had the pleasure of visiting Shepparton and opening that redevelopment earlier this year. It is great to see, and I want to take this opportunity to thank the former independent Member for Shepparton Suzanna Sheed for her extraordinary advocacy on behalf of her community and the role that she played in the delivery of that project.

The \$73 million Latrobe Regional Hospital stage 2 expansion, which we invested a further \$223.5 million into to deliver the next stage, which is currently in construction – similarly, I have had the opportunity to visit that health service as well. Our government will never give up on the communities of the Latrobe Valley, and we continue to invest in the health care that those communities need.

I have talked a little bit already about our \$320 million Hospital Infrastructure Delivery Fund, and this of course will play a very important role in the future development of the Wonthaggi Hospital and indeed of the West Gippsland hospital. If I look to some other projects that we are working on – sorry, I might just take a little bit more time on West Gippsland, which I know will be important to Mr O'Brien; I am sure he has an interest in that. This development is going to ensure the local community – that includes townships like Warragul, Drouin, where it will be located, Darnum and Moe – have access to infrastructure that meets contemporary standards and can cope with future demand pressures. Again, there is always an economic benefit attached to each and every one of our health infrastructure builds, and we cannot underestimate the job-creating impact of our government's record infrastructure investment program. Building things creates jobs. There is absolutely no doubt about that, and we are expecting that this will create around 1800 jobs, which I am sure will be warmly welcomed in those Gippsland communities. Similarly, in Wonthaggi we see that the \$115 million investment has delivered an expansion and an upgrade of its emergency department and has enabled the treatment of an extra 26,000 emergency patients every year. I do need to thank again the local MP Jordan Crugnale for her – 'tenacious' is a good way of describing Jordan's approach, but she has been an incredible advocate for this service and has also ensured that the growing needs of the community that she represents are being met through the continued investment in this project.

When I look to other investments, you will see that we are delivering PET scanners, and of course PET scanners are very important diagnostic tools. Once again we want to ensure that the people of rural and regional Victoria have access to the best health care as close to home as possible, so PET scanners – or positron emission tomography; that is their full title – will be delivered to Ballarat Base, Goulburn Valley Health, Warrnambool Base and Wangaratta base hospital. These scanners are imaging tests that are used to find and monitor the spread of cancers and diagnose heart disease, brain disorders and other conditions. I am sure all members of the committee will welcome this investment in life-saving technology.

I did not get an opportunity earlier, so I will use it now to talk about aged care infrastructure. I had a fabulous visit to Numurkah. While the quality of care in our public residential aged care services cannot be questioned – it is absolutely top class – some of our facilities are indeed past their use-by date. I am very pleased to say I was very warmly welcomed in Numurkah, where we will be replacing the existing aged care infrastructure, building a new fit-for-purpose dementia-friendly one that respects the privacy and dignity of all residents.

The CHAIR: Thank you, Minister. I will now go to Mr O'Brien.

Danny O'BRIEN: Thank you, Chair. Secretary, I want to talk about engineering infrastructure in particular. Budget paper 4, page 73 has a number of the projects there, including the 'Engineering infrastructure replacement program' from 2017–18 and the one from 2018–19, which were originally both scheduled to be completed that year, but they actually will be completed this financial year. There are obviously significant days. Can you tell me how many hospital-initiated surgery postponements have occurred due to engineering infrastructure failures?

Euan WALLACE: I will ask Mr Hotham to talk about the program itself. But you might recall that we had a sterilising washing event at Austin, and I think the surgical delays that occurred related to that event were reported at that time and are on the public record already. The whole purpose of the engineering infrastructure fund was of course to enable hospitals to proactively manage their engineering needs. Apart from that Austin incident I am not aware of any other surgical delays, but Mr Hotham?

Chris HOTHAM: To the question, Mr O'Brien, there have been 23 projects prioritised for high-risk replacement of capital and essential engineering infrastructure in 2022–23. Key achievements include the Austin piece, the Austin investment that the Secretary is referring to. To the nub of your question, we work very closely with health services on these replacement projects. It is incredibly important that service is maintained in live operational environments. Sometimes that can be tricky for our engineers to navigate, but they absolutely have that front of mind.

Danny O'BRIEN: The question was specifically about how many surgery postponements had been because of equipment failures or delays in replacing equipment. Secretary, are you saying there were literally only those ones at Austin Health?

Euan WALLACE: Those are the only surgical delays I am aware of related to engineering infrastructure.

Danny O'BRIEN: Could I ask you to check on notice that that is the case? Perhaps, Mr Hotham, the list of projects that you mentioned we could get on notice as well. Sorry, could you just say yes for the record?

Chris HOTHAM: Yes.

Danny O'BRIEN: Thank you. Likewise, the medical equipment replacement program was equally late and delayed. Were there any hospital-initiated surgery postponements as a result of medical equipment failures or delays under that program?

Mary-Anne THOMAS: I might jump in, if I may.

Danny O'BRIEN: Only if you can answer the question, Minister. I do not want background or context.

Mary-Anne THOMAS: I want to talk about the \$1.6 billion that has been invested in grants –

Danny O'BRIEN: I am sure you do. You can do that when your members are asking you questions.

Mary-Anne THOMAS: which was an initiative of this government to ensure that these funds are made available –

Danny O'BRIEN: I have asked a question to the Secretary, Minister.

Mary-Anne THOMAS: to proactively manage these challenges with hospitals.

Danny O'BRIEN: I have asked a question to the Secretary. Thank you.

Euan WALLACE: I think you may be misunderstanding the budget paper, Mr O'Brien. The funding is given in a particular year, then in the last column of the budget paper is when the work is actually completed. There is not a delay. The funding is made available in a given financial year, as Mr Hotham has already elaborated, through a number of grants to health services, then the last column is about when those programs are all completed. They are not delays to delivery or delays to care.

Danny O'BRIEN: With respect, Secretary, I am actually going off the budget papers. The 2017–18 budget paper said that program would be complete by quarter 4, 2017–18. The same year's program in this budget paper is not complete until this year. Anyway, the point is –

Mary-Anne THOMAS: Actually the point is that there are still thousands of projects under our grants programs that are underway right now.

Danny O'BRIEN: I have asked a question, Minister.

Mary-Anne THOMAS: The completion of the project is getting the money out the door.

Danny O'BRIEN: Sorry, Minister. With respect, I have asked a question. The question still stands: were there any further surgery delays or cancellations caused by those delays? If there were not, then I will move on.

Euan WALLACE: I am not aware of any surgical delays related to the program, and again, the equipment program is there to upgrade and renew equipment for the hospitals.

Danny O'BRIEN: Thank you. Can I move on –

Mary-Anne THOMAS: Surgery delays in our system are as a result of workforce challenges.

Danny O'BRIEN: Minister, I did not ask you a question – sorry, I did not ask you a question, Minister.

Mary-Anne THOMAS: I need to put on the record that the degree to which surgeries have been delayed –

Danny O'BRIEN: No, you do not. You can put it on the record when one of your backbenchers asks you a Dixer, okay? Chair, please can I move on? I have not asked the minister a question, and I have got limited time. Secretary, what is the spend on contractors, year to date, in 2022–23 for health infrastructure? We have got total departmental figures in the questionnaire. Can you tell me what the spend on contractors is for the health infrastructure portfolio?

Euan WALLACE: I will ask Mr Hotham to elaborate also, but all our contracting expenditure for infrastructure is actually on the DTF website.

Chris HOTHAM: There are two aspects to our –

Danny O'BRIEN: What I am after is year to date and the estimated spend to 30 June.

Chris HOTHAM: The year-to-date figures for departmental staff will be captured under the departmental umbrella. There is a separate set of contractors and consultants to do with our project delivery that will be captured on the Buying for Victoria website and publicly available through DTF. Those other skills, the specialist skills that we need – that is engineering, quantity surveyors, technical planners, commercial advisers – that range of skills and expertise and the capitalisation of those skills and trades is captured in the procurement on the Buying for Victoria website.

Danny O'BRIEN: So just to be clear, because clearly I have not got the opportunity to go and look at that now, does that break it down by the health infrastructure portfolio?

Chris HOTHAM: It will be broken down for our department, yes.

Danny O'BRIEN: By department, yes, but –

Chris HOTHAM: By project.

Danny O'BRIEN: By project. But is it going to be clear? If I go there, then I will be able to find the health infrastructure portfolio spend? Okay. Likewise, the same question for labour hire – is that also on Buying for Victoria?

Chris HOTHAM: No.

Danny O'BRIEN: Do you have that data available?

Chris HOTHAM: I do not have that data.

Danny O'BRIEN: Can I ask you to take on notice, then, what the labour hire spend in 2021–22 for health infrastructure was, and also for year to date and the expected figure for 2022–23?

Mary-Anne THOMAS: Deputy Secretary, am I right that this will be in relation to contractors? But we will not necessarily have that information, because we do not –

Danny O'BRIEN: Yes. And, Minister, thanks for your interruption, but I have already asked. We have that figure in the questionnaire. I am looking for it for this portfolio.

Mary-Anne THOMAS: Well, I am trying to clarify your question.

The CHAIR: Apologies, Mr O'Brien, your time is up. We are going to Mr Hilakari.

Mathew HILAKARI: Minister and departmental staff, thank you so much, and officials, for attending today. I would like to take you to the Metropolitan Health Infrastructure Fund, Minister. It is on budget paper 4, page 67, if I can take your attention there. I would just like you to outline to the committee how this will deliver for Victoria and particularly the metropolitan area through the Metropolitan Health Infrastructure Fund.

Mary-Anne THOMAS: Well, thank you very much, Mr Hilakari, for that question. Obviously as a representative of a growing metropolitan community you would have a real interest in this. I know that you are passionate about ensuring that your diverse community has access to the health care that it needs. So our government is of course continuing to build on our record investment in sustaining and enhancing capital funding for health infrastructure across the state. I am delighted that this year's budget includes \$40 million further into the Metropolitan Health Infrastructure Fund. Now, the way in which this fund works is it enables health services to provide safe and efficient care by identifying the projects that are important to them. This might include replacing aging infrastructure and equipment as well as upgrading or reconfiguring and expanding facilities to deliver newer and enhanced models of care.

The point that I would like to make about our healthcare system is that it is a very dynamic one. Obviously, we have a highly trained, well-qualified workforce who are always looking at ways in which they can enhance models of care. This has in turn meant that there are adjustments to facilities and so on that may need to be made.

Now, this \$40 million investment of course builds on our record \$390 million committed to capital grants programs across the health infrastructure in the 2022–23 state budget, with more than \$1.6 billion invested into these grants programs since 2016. These have really been game changers for our health services. Indeed almost every health service across the state has taken up the opportunity to avail itself of one of these grants programs. Their responsiveness to local needs is one of the things that makes them so important. But I might also add that at any given time there are literally thousands of these projects, and right now there are thousands under delivery. So the delivery of them is managed by the health services themselves and coordinated of course within the constraints of a live hospital environment, which I talked about a little before – about the inherent challenges in delivering infrastructure in a 24/7 operating environment where you are dealing in some cases with critically ill patients.

So the MHIF since 2016 has invested in 73 projects, and the scope of these has varied from construction, including replacement, reconfiguration, remodelling and refurbishment of projects – we might call those the four Rs from now on; equipment, including standalone furniture, fittings and medical equipment; engineering infrastructure, which of course was of great interest to Mr O'Brien, and plant; information and communications technology, of course increasingly important in a modern healthcare system; and new technologies, including systems to reduce usage and increase efficiencies of power and/or water compliance-related capital or upgrade works, and indeed that goes to some of the issues that I know that Ms Sandell is interested in as well.

So if I can illustrate some of the projects that have been delivered under this fund, let me tell you that six new consult rooms to increase access to antenatal services have been delivered at Monash Medical Centre and additional neonatal intensive care unit cots at the Joan Kirner hospital, which I know the Member for Point Cook and the former Member for Tarnet, now the Member for Laverton – anyway, I am sure you know. You are great advocates for the west, and we like to deliver for the west and are mindful of course that the need to

deliver maternity and specialist neonatal services is very, very important. And of course we have been replacing obsolete aging and critical medical equipment across the Royal Women's Hospital once again in their neonatal services unit.

I am pleased that further investment in this program through our latest budget will enable us to continue to support workforce attraction and retention, reduce infrastructure risk and service interruptions, enhance service capacity, support contemporary models of care and improve patient and staff amenity to meet current needs.

You may be interested to know a little bit about the application process, and I am sure all members of the committee would welcome the opportunity to know a little bit more about the program and how you can advise your local health services of the best way to seek funding through the program. So we do have a robust framework which assesses, prioritises and allocates funding considering a whole-of-system perspective, and it is prioritised to the highest critical risk scores against set criteria, which categorise clinical risk, OH&S risk and service availability. So there are several layers to the governance and controls for the allocation that once again retain our government's focus on the stewardship of our healthcare system and indeed ensuring that we make investments that are the very best use of the public funds, taxpayer dollars, to deliver the most cost-efficient and highest quality services for the people of Victoria.

The CHAIR: Thank you, Minister. I will go to Ms Sandell for the next 7 minutes.

Ellen SANDELL: Thank you, Chair. I would like to ask about community health. So a question for Mr Hotham: community health are obviously constrained in their ability to invest in its infrastructure due to the way that they equip their operational funding. Can I just confirm: is there actually any money in the budget for community health services, infrastructure and upgrades? I could not see anything specific.

Chris HOTHAM: Community health are able to bid into our grants programs –

Ellen SANDELL: So is that the metropolitan –

Chris HOTHAM: so the MHIF, the \$40 million there, would be something that they could bid into and –

Mary-Anne THOMAS: And the RHIF as well.

Chris HOTHAM: existing funding as well.

Mary-Anne THOMAS: And I might say that Sunbury and Cobaw Community Health service was able to access – this is a number of years ago now, but in my own electorate we have a brand new community health service.

Ellen SANDELL: And was that through one of those funds or was that a separate budget bid?

Mary-Anne THOMAS: No. That was delivered through the Regional Health Infrastructure Fund. So these are funds that are available for community health services to bid for, and I think all of them have taken the opportunity to avail themselves. I might need to –

Deanne LEAVER: Not quite.

Mary-Anne THOMAS: Not quite, not quite – but the vast majority of community health services have taken the opportunity to avail themselves of these funds. Our government remains committed to our community health providers. They play a very important role in our health system. They are quite unique, as you probably know, to Victoria. While they mostly deliver primary care, we would always welcome the Commonwealth's investment in the primary care, and again, this is an opportunity that I have taken up with the new federal minister because they are great services already in place that will support the kind of multidisciplinary care models –

Ellen SANDELL: I have got limited time, Minister, so I might move on. Thank you. Obviously, we have community health facilities that are in dire need of investment – in places like Collingwood, for example. So, anyway, I will leave that as a comment.

I would like to talk about energy efficiency, so budget paper 4, page 70. Mr Hotham, could you confirm how many of the new hospital and health facilities will be all electric – that is, built not to use gas?

Chris HOTHAM: Building our hospitals as all electric is, as you suggested, a really important prerequisite. Melton is certainly that, as you would be aware. In terms of the benchmarks set by the minister and her direction to us, that is now effectively a minimum standard in our new builds, where possible.

Ellen SANDELL: So all new builds going forward will be all electric?

Mary-Anne THOMAS: Ms Sandell, I might answer that, if I may. As you know, Melton hospital will be our first all-electric hospital, and we are very excited about that. As the Deputy Secretary has indicated, I have made it clear that my expectation is that we incorporate emissions reduction into the design of all of our health projects, and where it is possible, as Deputy Secretary Hotham has indicated, that is what will be delivered. But I would want to put a small caveat, if I may. Of course with upgrade projects and so on our health systems – I am not going to pretend otherwise – have traditionally run on a lot of gas, right, and we know that our health services make a significant contribution to greenhouse gas emissions. But I want to assure you that as a department we are very focused on the way in which we can use our built environment and the money that is available to us going forward to drive down the emissions that the health services generate themselves.

Ellen SANDELL: So just in terms then of that fund that is on page 70 around energy efficiency, is any of that currently being used for transitioning existing services off gas? I know it is a big challenge, but.

Chris HOTHAM: Perhaps to step back, electrification is a hugely important part of the transition. Equally the government's purchase of renewable energy will flow through to public hospitals as well and significantly reduce the emissions footprint. In terms of that funding in this year's budget, or the existing budget –

Ellen SANDELL: What we have got here is 'Improving energy efficiency in public hospitals', so \$21 million this year and then \$13 million still to be expended. So I am just wondering: has that already been allocated or committed, and of the \$21 million that has been expended, is any of that specifically around getting off gas?

Deanne LEAVER: Yes, it has all been allocated to health services. We work directly with health services in implementing a range of projects and initiatives that will work towards transitioning them off gas over time.

Mary-Anne THOMAS: And I might add, if I may, because I know you will be interested in this, Ms Sandell, around 175 individual public healthcare facilities now have rooftop solar, and this is understood to be the most onsite solar of any Australian public health system. You have talked about our \$40 million energy efficiency and solar program, but I want you to know that the department has a target to source 5 per cent of public hospital total electricity use from behind-the-meter solar by the end of this financial year. I know it is a small amount, but it is –

Ellen SANDELL: Thank you. That is all right. In my last 40 seconds I might just ask a completely different question about Albury–Wodonga hospital. What is the rationale for upgrading the existing site versus a greenfield site in Wodonga?

Mary-Anne THOMAS: The community were very clear and the clinicians were very clear that we needed to bring clinical care together. In the way the hospital is currently set up you have maternity services in Wodonga and ICU services in Albury, and that has seen patients being transported across the border. We need to bring all of critical care into one site. We have a site ready to go at Albury Base. We know that we can deliver the much-needed tower and expansion and bring that together more quickly on that site.

The CHAIR: Thank you, Minister. We will go to Mr Hamer for the last 7 minutes.

Paul HAMER: Thank you, Minister. Thank you, officials. In your presentation, Minister, you talked about the largest hospital project in Australia's history, the redevelopment of the Royal Melbourne Hospital and the Royal Women's Hospital. I was wondering if you could just update the committee on how work might be progressing on that really critical project for the entire Victorian community.

Mary-Anne THOMAS: Yes, indeed. Thank you very much for that fantastic question. This is a really exciting project. It is the largest public health project being undertaken in Australia, and as you know, here in

Victoria we do like to lead the nation when it comes to investment in infrastructure but also in innovation. The decision to build the new towers and a new medical precinct at Arden is one that I am really thrilled about. It will be the centrepiece of the development of a new community for Melbourne down at Arden, and what is more, with its own railway station and a new rail line, it is a 2-minute trip from Parkville to Arden. The ease with which staff can move across the campuses of both the Royal Melbourne and indeed the Royal Women's is quite astounding. It is a signature project for our government and one that I am very proud to be delivering.

We announced that back in October of 2022. The Premier announced that, and it was a great day because it enabled us to make an announcement at Arden railway station. I will always remember it, because it was very much a signature announcement for our government. We were there surrounded by nurses, who on that day had swapped out their scrubs for hard hats and hi-vis, and of course the workers on Melbourne Metro in their usual gear, which of course is hi-vis, but it spoke to me of our government's commitment to deliver for the working people of Victoria, creating great jobs and opportunities along the way but also ensuring that we have really accessible free health care that will meet their needs as families.

Stage 1 of the project will include the Parkville redevelopment, which is the decanting, decommissioning and demolition of the materials handling building. If you are not familiar with that building, it is in fact the graffiti-covered, old cream brick building on Flemington Road. Work has already started on the decanting of that, and the demolition will start in 2024. Procurement for the new Arden hospital is expected to commence around the same time, with early works to start in 2025 and full construction in 2026, and the Arden station is due to open in either late 2025 or early 2026, so there is going to be a lot happening down there at that time. This is a really exciting world-leading project. The model at the moment of course is that we look to ensuring that the Royal Women's Hospital is able to expand – though nothing is yet confirmed; I need to give you that disclaimer. But certainly the way in which the hospital is thinking about the models of care is that Arden is very well placed to manage the routine maternity – if I can describe maternity like that, for those pregnancies that are deemed low risk, and indeed it is a place where we will continue to expand some of the different models of care that we talked about before, ensuring that we are delivering consistent midwife care through pregnancy. This budget also has money to start the planning works for the development of the women's health research institute, and that of course is very much part of our plans for the Arden precinct.

I have talked about the Royal Melbourne Hospital. The Royal Melbourne Hospital is one of the world's great hospitals. It was a delight to be able to attend recently at Government House a celebration of 175 years of service delivery from the Royal Melbourne Hospital – very humble beginnings. Like a number of our hospitals, and hospitals right around the nation and indeed all around the world, you will see that hospitals get built on and built on and built on. The Royal Melbourne are really looking forward to the delivery of a new tower to continue their world-leading care as well as significant upgrades at the Parkville site.

Again, when I talk to healthcare workers I want to make the point that one of the reasons why Victoria remains such an attractive place to pursue a career in health care is because of our government's record investment in health infrastructure. Not only are we about delivering the very best environments for the health and wellbeing of our patients, we also work to ensure that our healthcare workers have a safe work environment but also a pleasant work environment, one with natural light and one where there are sufficient break rooms and so on. As I tour some of our new developments I am really impressed by the way in which we are taking both the patient and employee experience into account in the development of these new health services.

The CHAIR: Thank you, Minister. That is the end of questions for this session. Minister and department officials, thank you very much for appearing before the committee this morning. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is now going to take a short break before beginning its consideration of the portfolio of medical research at noon.

I declare this hearing adjourned.

Witnesses withdrew.