

Case study:

Frankston Hospital redevelopment

February 2025



Frankston Hospital redevelopment

The Frankston Hospital redevelopment is under construction in Melbourne's south-east and is aiming to be operational in 2026.

The project will modernise facilities, address shortfalls in capacity and improve the hospital's ability to meet contemporary healthcare standards.

Figure 1: View of the Frankston Hospital redevelopment



Source: Victorian Infrastructure Delivery Authority.

Key project data

2024–25 BP4 project name:	Building a world class hospital for Frankston families
Previous reporting name:	N/A
Project lifecycle phase:	In delivery/under construction
Financial year when first disclosed:	2019–20 (funding for planning)
Current approved cost (TEI):	\$1.12 billion
Original approved cost (TEI):	\$562 million (not published because there was no BP4 produced in 2020–21)
Cost variance analysis:	Increased by 99.3% (\$558 million)
Expected completion date:	Quarter 3 2025–26
Original completion date:	Quarter 4 2024–25
Time variance analysis:	Delayed by 3 quarters (up to 9 months)
Responsible (BP4) entity:	Department of Health (DH)
Delivery entity:	Victorian Infrastructure Delivery Authority (VIDA) and Peninsula Health
Approval authority:	DH

Note: BP4 is Budget Paper 4: State Capital Program. TEI stands for total estimated investment. The 2019–20 budget allocated \$6 million to plan the Frankston Hospital redevelopment. The full project cost was funded in 2020–21.

Project summary

Project description and purpose The Frankston Hospital redevelopment project will redevelop and expand the existing Frankston Hospital.

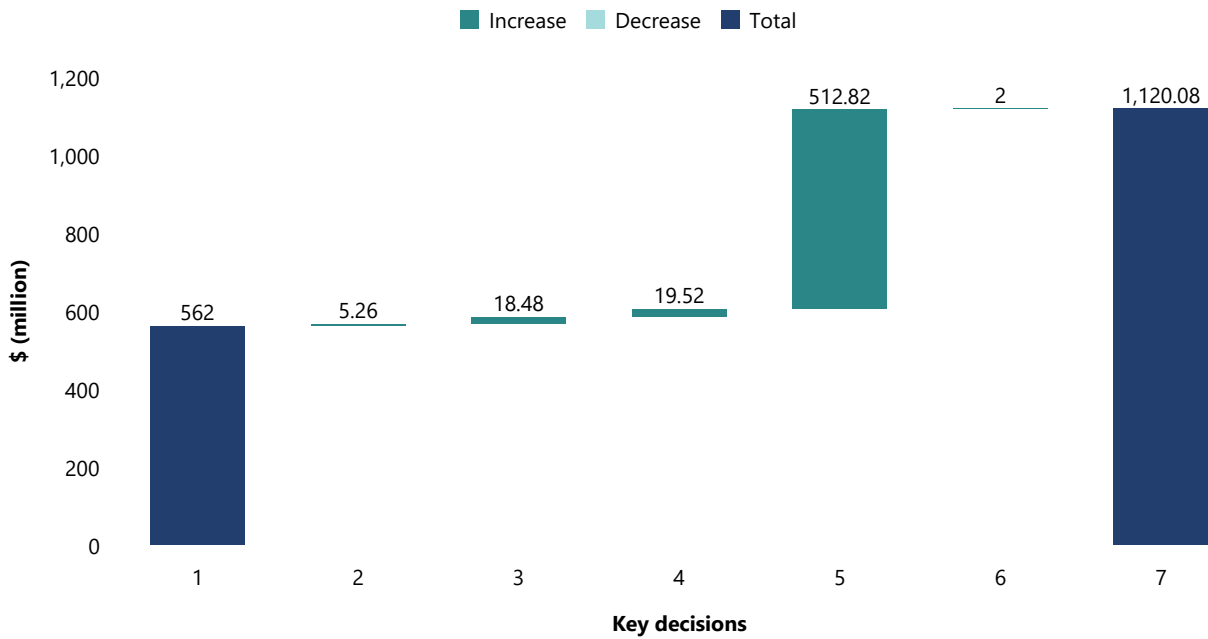
The redevelopment will address the existing hospital's capacity issues and help meet contemporary standards for health services. It will provide 130 more hospital beds, 15 new operating theatres and new spaces for an oncology ward and day clinic. It will also expand maternal, children's and mental health services.

Several built elements will be added to the hospital, including:

- a new acute health services tower
- a new multi-deck carpark
- relevant infrastructure improvement works.

Some existing buildings and garden grounds will be refurbished and improved by the project.

Figure 2: Budget changes to the Frankston Hospital redevelopment project



Legend

Key decision	Date and detail
1	2018: original TEI undisclosed in BP4
2	2021–22 BP4: funding for mental health and alcohol and other drug hub
3	2021–22 BP4: funding for paediatric emergency department zone
4	2021–22 BP4: funding for a multi-deck car park
5	2022–23 BP4: additional 102 points of care and whole-of-life costs. Project now under the public–private partnership (PPP) model.
6	2024–25 BP4: extra \$2 million funding for expanded emergency department reception and triage
7	2024–25 BP4: current TEI

Source: VAGO.

Project status

Red, Amber and Green (RAG) status The criteria we used for this RAG assessment can be found at the end of this case study.

Figure 3: Entity self-assessment compared to VAGO assessment

	Scope	Cost	Time	Benefits
Entity self-assessment	Green	Green	Green	Green
VAGO assessment	Green	Green	Green	Amber

Note: Entity self-assessments were made in the specific project survey. Based on the information VIDA provided and survey responses, VAGO assessed benefits as amber because benefits measurements processes are not fully developed and baseline data to measure benefits achievement is insufficient.

Source: VAGO.

Cost, time and scope performance

The project is on track, with 47 per cent of the construction funding spent at the time of this review. Reports from the project's independent reviewer (IR) show that main construction is well underway. The new emergency department zone refurbishment is in progress.

There have been 3 government-approved scope changes to improve the existing emergency department reception and triage area at Frankston Hospital, which have impacted TEI.

These scope changes have not impacted the current forecast completion date.

Risks and emerging pressures



A contractor's piling rig collapsed early in the project's preparation works, causing a delay to the initial building schedule. The schedule was amended to make up the delay and is on track.

An IR oversees and reviews the project's design and construction. The IR reports to all project parties and checks the private sector's performance and compliance with project requirements.

The project is on track to achieve commercial and technical acceptance dates. The IR has identified some risks to the project. For example, the current schedule groups together large works packages, but the IR notes these should give more detail to increase transparency and accuracy.

The IR also notes that the remaining time contingency is too low and should be reviewed.

Variance analysis

Over the last 5 years, the project has experienced major scope changes and PPP procurement model approval, which have increased its overall TEI. If measured against its original approved TEI, the project's cost has increased by 99.3 per cent. This is because the TEI has changed over time in line with scope and procurement model evolutions, reflecting government decisions.

Starting at \$562 million in 2018, the project increased to \$605.26 million in the 2021–22 financial year, because the government decided to add a multi-storey car park and 2 new emergency department initiatives. These new elements were initially out of scope but were included to deliver other health system initiatives and grow clinical support services to meet patient demand.

The TEI increased by another \$512.82 million when the successful PPP bidder identified a design solution that the government considered more optimal. VIDA told us that this new TEI sat within affordability boundaries set by government. The increase in TEI also reflected that the project was now being delivered under a PPP model. Government policy requires additional capital investment, plus lifecycle and project financing costs from the PPP model to be disclosed in the TEI.

The TEI increased to \$1.12 billion after a modification order by DH in 2023 allocated an extra \$2 million to improve the existing emergency department reception and triage area. DH decided these were necessary after design and clinical service model reviews.

Impacts of scope and other changes

There are multiple avenues for monitoring, reporting and mitigating project risks and issues, involving VIDA, Peninsula Health, the Department of Treasury and Finance (DTF) and the private sector party (Exemplar Health).

Because it is a PPP, the project is monitored by an IR who inspects and assures the project deliverables, as well as construction schedules and building quality.

We have not seen any evidence showing how any impacts on expected benefits were analysed or considered.

Key funding stakeholders

Stakeholders The project has a \$1.12 billion TEI, which includes \$10 million from the Australian Government. The Australian Government is contributing funding, together with the state government, to develop the new paediatric zone. This aligned with a 2021–22 system-wide budget initiative called 'Building emergency departments kids and families can count on'.

Project benefits

Benefits DH and Peninsula Health are responsible for implementing the benefit management plan (BMP) and benefits realisation. The current BMP was last updated in December 2018 and does not reflect key project decisions. This includes decisions about adopting a PPP model and adding additional scope. A Gate 6 benefits review is required by the government to be conducted after a project is handed over. Before this, recording benefits progress using a benefits measurement system would help identify whether the project is on track to achieve expected benefits. VIDA and DH's internal processes to track and report progress against project benefits are under review. DH told us that it believes the project is on track to achieve its expected benefits, including improved outcomes for patients and staff and improved access to healthcare. According to VIDA and DH, other benefits, including increased clinical speciality, will be achieved by adding specific mental health, alcohol and other drugs, and maternal and children's health service areas to the new facility. As the project is being delivered through a PPP model, there are likely to be further benefits that are not captured in the existing BMP. These include whole-of-life maintenance outcomes and various risk transfers to the private sector.

Governance and assurance

Governance and assurance The project has a well-described governance and assurance system. VIDA, Peninsula Health, DTF and the private sector participate in planning teams and control groups that have their own terms of reference. The control groups escalate issues to the project steering committee who agree on key cost, schedule and scope changes. The steering committee can make recommendations to the DH secretary and the Minister for Health Infrastructure if necessary. The project is also subject to the high value high risk framework and has completed 3 gateway reviews. It had a project assurance review scheduled to happen in late 2024. There were no substantial issues raised from the last gateway review conducted in 2021. A Gate 4 review is not required, as the project is a PPP and policy exempts the need for this review step. A machinery-of-government change in April 2024 merged the Victorian Health Building Authority with the Major Transport Infrastructure Authority to form VIDA, which has had some impact on governance and coordination arrangements.

Procurement approach

PPP model The Frankston Hospital redevelopment project is a PPP. This is publicly documented in the project summary that was tabled in the Parliament and available on DTF's website.

VIDA told us that its procurement approach focused on value for money by allocating risks to the private sector, increasing private sector innovation and incentivising project delivery on time and within budget.

Better practice

Better practice



VIDA and DH have adaptively reused some newer buildings on the campus and are incorporating them into the PPP design. DH told us that this reduces the carbon impact of a full-scale demolition and new build approach.

Good project practices have been noted in gateway reviews.

These include VIDA providing site condition assessment reports to bidders to facilitate their understanding of latent site risks. Additionally, VIDA expanded the services scope under the PPP to include whole-of-life risks. VIDA said this improved the accuracy of the market responses to the government.

RAG rating definitions

Rating	Scope	Cost	Time	Benefits
Red	Current approved project scope is at risk and requires action and a decision by the government	Project is likely to be more than 20% over its current approved budget	Project is likely to be more than 6 months behind its current approved schedule	Project benefits measurement systems are not in place and baseline and progress data for project benefits described in the business case, investment logic map (ILM) or BMP is not available
Amber	Scope risks are emerging but are being managed and no action or decision is required by the government at this point in time	Project is likely to be 11–20% over its current approved budget	Project is likely to be 4–6 months behind its approved schedule	Project benefits measurement systems are immature and baseline and progress data for project benefits described in the business case, ILM or BMP is unreliable
Green	Current approved project scope is clear and can be delivered within budget and schedule	Project is likely to be 0–10% over its current approved budget	Project is likely to be 0–3 months behind its current approved schedule	Project benefits measurement systems are well developed and baseline and progress data for project benefits described in the business case, ILM or BMP is reliable and up to date
N/A				There are no tangible or measurable benefits specified in the project's business case or objective(s)

Source: VAGO.