

**SUBJECT: History of the Mater Hospital at Gladstone and history of asset audit completed by Calibre - Central Queensland Hospital and Health Service**

**ACTION REQUIRED BY**

- **PREFERRED APPROVAL DATE** - There is no specific timeframe required.
- **CRITICAL DATE** - Nil.

**RECOMMENDATION**

It is recommended the Minister:


1. **Note** the following information in relation to the history of the Mater Hospital at Gladstone.

**Noted / Not Noted**

Comments:

Signed..... Date...../...../.....

Hon Tim Nicholls MP, Minister for Health and Ambulance Services

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## **PURPOSE AND ISSUES**

1. To inform the Minister of the history of the acquisition of the former Mater Hospital at Gladstone, including:
  - 1.1. value of acquisition;
  - 1.2. details of non-compliance;
  - 1.3. whether due diligence was completed before the purchase and the Department of Health was aware of the non-compliance issues; and
  - 1.4. any requirements within the contract to make the building compliant.
2. To inform the Minister of the asset audit completed by Calibre, including:
  - 2.1. major risks and key items needing action highlighted in the report, particularly those recommended for immediate works at the time;
  - 2.2. actions taken in response to the reports;
  - 2.3. current high risks; and
  - 2.4. Central Queensland Hospital and Health Service (CQHHS) spend on maintenance (operational) and sustaining capital funding per annum from 2021.
3. To provide other relevant information related to the acquisition and necessary work dedicated to operationalising the former Gladstone Mater Hospital.

## **BACKGROUND**

4. In October 2018, the Gladstone Mater Hospital (a private hospital co-located on the same campus as the Gladstone Hospital, and sharing both utility and clinical services across the sites) ceased their maternity service due to declining numbers that had reached less than 10 births a month.
5. The Gladstone Mater Private Hospital was listed for sale in April 2019. Then owner, Central Queensland Mercy Health, stated it was no longer sustainable for the Mater Group to run a private hospital in Gladstone.
6. In the year prior to it being listed for sale, the Gladstone Mater Hospital became predominantly a day hospital, with very little overnight activity occurring. Some lower acuity procedures were still being performed (that is, same day), which did not require an overnight admission.
7. On 9 April 2020, the then Health Minister announced in Gladstone that the Queensland Government would buy the Gladstone Mater Hospital, in a bid to further enhance public health services in Central Queensland.
8. It was acquired with the knowledge there were infrastructure and assets within the hospital that required replacement and rectification post settlement.
9. Queensland Health acquired the facility and CQHHS received beneficial ownership in October 2020 and renamed it the Gladstone Hospital West Wing.
10. The property acquisition was settled by Queensland Health on 2 October 2020, for \$6 million (exclusive of GST) for land and buildings and \$692,812 (exclusive of GST) for equipment. The total project budget allocated was \$16.9 million.
11. It was sold on the basis of "as is, where is" and included supplier contracts, service agreement and leased space where they benefit Queensland Health and there was no requirement for any works to be undertaken by the Mater Group prior to settlement.
12. Due diligence activities were undertaken prior to the contract becoming unconditional, which included a property condition report highlighting any areas requiring rectification, non-compliance or asset replacement.
13. The Property Condition report was provided by Redd Zebra as part of due diligence. It highlighted air handling units (AHUs) were close to end of life, chilled water required upgrading, electrical systems, and fire reels needed replacement.
14. The Project Commencement Approval/project budget was for the acquisition and associated works identified in the Property Condition Report.
15. There were a series of initial commissioning works undertaken to prepare the facility for its transition to public ownership, including (but not limited to):
  - 15.1. removal of carpet and installation of vinyl in clinical areas;

- 15.2. removal of porous surfaces in clinical areas to meet Queensland Health infection control standards;
  - 15.3. air and waste quality testing;
  - 15.4. engagement with engineers to inspect air handling and mechanical ventilation systems;
  - 15.5. rectification of the linkway (noting there was initially a design to completely replace the existing linkway that was later reduced to a 'refresh'; and
  - 15.6. upgrades to theatre lights and pendants, and mechanical gases.
16. The CQHHS met with all medical specialists that were previously providing services from the Mater to determine if ongoing relationships could be maintained and identified the risks to the private oncology patients and agreed to provide immediate and uninterrupted access to oncology services for those patients who elected to continue their treatment close to home.
  17. The CQHHS also made employment offers to a range of clinical staff and approximately 40 full-time equivalent (FTE) staff commenced employment with the CQHHS following the exit of the Mater Group, to secure employment in the region.
  18. On 12 August 2020, Jacobs provided a report to the CQHHS detailing the works that would need to be undertaken to enable the facility to be operational, including in the areas of mechanical services, electrical services, fire services and hydraulic services, noting various building services were at or close to end of life.
  19. The major risks and immediate action included:
    - 19.1. fire rated wall penetrations;
    - 19.2. air conditioning and ventilation systems;
    - 19.3. partial or full roof replacement;
    - 19.4. body and cardiac protection in the existing ward area and main switchboards;
    - 19.5. nurse call system at end of life; and
    - 19.6. absence of water storage and treatment.
  20. Noting that significant work would be required to bring the building up to Queensland Health's standards, a capital and commission budget of \$16.9 million (in total) was provided for the acquisition of the Gladstone Mater Hospital, refurbishment of the operating theatre suite and associated works to bring information and technology up to standards.
  21. A further \$5 million was received through sustaining capital to address the mechanical services in the West Wing and Gladstone Hospital.
  22. Improvements were also required to linkway between the Gladstone Mater Hospital/Gladstone Hospital West Wing and Gladstone Hospital and funding for that work was through the Department's capital works program.
  23. In October 2020, immediate essential works were started by the CQHHS Building, Engineering and Maintenance Service. Further works were completed by external contractors coordinated by Building, Engineering and Maintenance Service in association with the CQHHS Infrastructure Delivery Unit team. Through this work, it was identified that the facility was not complaint to deliver clinical services and significant works were required as the facility did not meet the Australian Healthcare Facility Guidelines that Queensland Health must adhere to in order to ensure patient, staff and system safety.
  24. In March 2021, QBuild was appointed to proceed with schematic design and construction documents for an endoscopy service and scope reprocessing upgrade in the West Wing. This was changed to a perioperative area refurbishment.
  25. In 2021, the CQHHS commissioned a report from Calibre to provide a high-level condition assessment and required budget estimate of the structures and services within the Gladstone Hospital campus. This report was provided in 2023 and only shared with the current Health Service Chief Executive and Executive Leadership Team in early 2025.
  26. Calibre reported that most of the mechanical services in Block 7 were installed in 1998, making them 23 years old at the time of inspection (in 2021). Some smaller plant and subcomponents such as DX split systems, fans and valve actuators have been installed more recently. The mechanical services inspected were mostly functional, through many systems and components will reach their expected service life within the next five to 10 years. Some items of plant (such as electric duct heaters and dampers) have exceeded their expected service life capacity and

required replacement. Other risks identified included emergency lighting, fire detection, nurse call, security systems and CCTV, all requiring upgrades or replacement.

27. On 10 June 2021, the CQHHS was provided with approval from the then Director-General to undertake major capital works to the value of \$7.21 million (exclusive of GST) on Block 7 (former Gladstone Mater/West Wing) including:
  - 27.1. upgrades to ICT infrastructure;
  - 27.2. Furniture Fixture and Equipment purchases;
  - 27.3. operating room upgrades including AHUs/installation of pre-conditioners;
  - 27.4. pedestrian bridge replacement;
  - 27.5. works to the medical gas, electrical, mechanical and fire services; and
  - 27.6. upgrades to Central Sterilising Services Department.
28. In April 2022, information technology and communications equipment were upgraded, bringing it up to Queensland Health ICT cabling standards.
29. In September 2022, theatre and associated refurbishment works reached practical completion.
30. In October 2022, it was identified that the High Efficiency Particulate Air (HEPA) filter system required replacement, and rectification works were needed for fire/smoke wall penetration. HEPA filters in operating theatres need to meet infection control standards, and hospital guidelines. Nurse call systems needed to be replaced, and the building was not 'connected', from a security/communications perspective to the main blocks.
31. In November 2022, there was contract variation with QBuild to complete required HEPA works.
32. Mould was reported in the West Wing in early 2025. Environmental and surface testing was done in February 2025, indicating significant concerns.
33. Remediation of the Heating, Ventilation and Air Conditioning (HVAC) system had previously been done, but mould was still present. A report prepared in 2019 indicated the HVAC units needed replacement, as did the roof.
34. A weight bearing part of the roof was replaced as part of the theatre upgrade undertaken by the building contractor. Several leaks in the roof were identified and repaired. Theatre lights and pendants needed to be replaced as the old ones 'wandered' and were not appropriately anchored into the ceiling. Additionally, none of the cabinetry in the theatres met infection control standards.
35. A further report done in April 2023 supported HVAC concerns with an estimated replacement cost of \$2 million.
36. Health Infrastructure Queensland (HIQ) recommissioned Jacobs in 2024, prior to Block 7 (Mater/West Wing) works commencing to provide a gap analysis on their previous 2020 report. Items still requiring partial or full action were identified as:
  - 36.1. fire related wall penetrations;
  - 36.2. air conditioning and ventilation systems;
  - 36.3. partial or full roof replacement;
  - 36.4. body and cardiac protection in the existing ward area;
  - 36.5. nurse call system at end of life;
  - 36.6. absence of water storage and treatment; and
  - 36.7. medical gas storage compliance (ventilation and alarm systems).

#### **GOVERNMENT ELECTION COMMITMENT**

37. This briefing note is not related to a Government Election Commitment or Ministerial Charter Letter commitment.

#### **SENSITIVITIES/RISKS**

38. The Queensland Government's decision to purchase the Gladstone Mater Hospital, was made by the then Minister for Health. It is understood the Member for Gladstone had been working with the then government to secure the hospital in a bid to further enhance public health services in Central Queensland.

39. The CQHHS staff did not have reasonable access to the facility to inspect equipment and mechanical services before settlement. The building was 26 years old and in the years before acquisition minimal maintenance had been done on the structure.
40. At the time of the acquisition, some of the critical assets and infrastructure were beyond estimated useful life. Some systems were 20 plus years old at acquisition even though they had a documented life of less than 20 years (identified in Jacobs and Redd Zebra reports that were eventually made available to the CQHHS). Significant work would be required to bring the building up to Queensland Health's standards.
41. The CQHHS was advised that access was limited to the facility due to it being an "operational hospital". The CQHHS was advised it was to rely on the condition assessment reports, which were dated at the time.
42. The CQHHS staff were also advised at this time that they must not be seen to be critical of the Mater Group.
43. Human rights are not engaged by the matters in this brief.

### **RESOURCE/FINANCIAL IMPLICATIONS**

44. In 2025, HIQ provided a resource to the CQHHS to assist with the maintenance review, assessment and planning at the Gladstone Hospital where the following works have been undertaken:
  - 44.1. Women and Children's ward switchboard replacements;
  - 44.2. Women and Children's ward body protection, nurse call and duress upgrades; and
  - 44.3. mould mitigation and duct cleaning, roof tile replacements in various areas of Block 7 (Mater/West Wing).
45. Other reports commissioned in 2025 include:
  - 45.1. WSP (Global Engineering and Professional Services Firm) peer review of the Calibre report inclusive of onsite validation;
  - 45.2 WSP scope of works document for work packages to go to market rectifying critical building defects (under development);
  - 45.3 Phillip Chun (Building Certifier) compliance review and gap analysis for Gladstone Hospital;
  - 45.4 Air Restore Women's and Children's ward ventilation dilapidation report;
  - 45.5 VAE Group (Value Added Engineering) Women's and Children's AHU 1 and AHU 2 end of life report and scope of replacement;
  - 45.5 FVS Services Group - Fire safety solutions (Fire Provider) review and report on Block 7 (Mater) and Block 1 (inpatient area); and
  - 45.6 FVS Services Group - Fire safety solutions (Fire Provider) full penetration review and report for Block 7 (Mater).
46. The CQHHS has developed a Risk and Issues register based on the information from all recent building condition reports.
47. From 2021, the CQHHS has spent \$2.895 million on maintenance on Block 7 (Mater) (source S4Hana) and had approved funding from Sustaining Capital Programs of \$6.075 million for works associated with Block 7 (Mater).
48. Bridgeman was awarded the design and construct contract on 30 September 2025, for refurbishment works in Block 7 to allow Women and Children's to relocate. Part of the scope is to replace AHU1 and AHU 2 as documented in the VAE report recently commissioned. Practical completion is anticipated in late May 2026 with services to commence in July 2026.
49. Rectification of all other known works is subject to available funding.

### **RESULTS OF CONSULTATION**

50. Consultation has occurred with HIQ, who provided input into this brief.