



West Coast District Health Board

Te Poari Hauora a Rohe o Tai Poutini

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20 December 2021

9(2)(a)

RE Official Information Act request WCDHB 9634

I refer to your email dated 12 November 2021 requesting the following information under the Official Information Act from West Coast DHB regarding Buller Health Centre Costs. Specifically:

1. **How much has been spent to date on the new Buller Health Centre project, itemised please (i.e. pre-planning, consultancy fees, design, tendering, construction).**
2. **What is the current budget for the new health centre?**

The current approved total budget (inclusive of design, construction fixtures, fittings and equipment) is \$21 million. Spend to date across the project has been within Quantity Surveyor estimates and budget.

Generally, consultants' fees (across design and non-design disciplines) will amount to 15% of a project budget, and that is reflective of this project. The actual amount of fees payable to engaged consultants and contractors is commercially sensitive and subject to contractual obligations of confidentiality and is therefore withheld under s.9(2)(b)(ii) of the Official Information Act.

3. **If the current budget differs from the original budget of \$20m, what is the reason for the differences?**

The original project estimates date back to 2018 with a budget of \$20 million. Following receiving the project back from the Ministry of Health, the West Coast DHB conducted asbestos and ground contamination testing on the buildings and the surrounding grounds. The result of the testing found large quantities of asbestos throughout the building and the surrounding soil. The original budget had very little allowance for asbestos removal. The asbestos and ground contamination has led to additional costs not allowed for in the original costs.

An additional \$1million was given for the 1st stage demolition to allow for the construction of the new facility to progress. The 2nd stage demolition is due to commence following the migration to the new building. We are in the process of seeking funding approval for this stage. **Note**, the recent flooding, cost escalation and supply chain issues in the construction sector in the current Covid-19 environment has been well documented and has/will impact this project.

4. **If the project is running over budget, where are savings being made, how, and how much is expected to be saved?**

The project is still running to the budget for 1st stage demolition and new build of \$21 million.

All DHBs endeavour to run projects within approved budgets. All budgets include a contingency for escalation and unforeseen costs. Construction contracts allow for variations, extensions of time and time related costs in permitted circumstances. Where it transpires that a project budget is under pressure (either for cost escalation or due to a variation), DHBs will often undertake a value management exercise to seek to reduce costs elsewhere to keep within budget. Where the budget is likely to be exceeded and additional capital is required, a scope change process needs to be undertaken for the project budget to be extended.

5. What is the latest expected completion date? It was originally March 2023 and more recently has been cited as the second quarter of 2023? Does this mean April, May or June 2023 - or possibly later?

The original programme allowed for the migration to the new facility to commence in March 2023 this has now been changed to May 2023. The Westport floods, Covid-19 restrictions and well documented constraints in the construction sector nationally have impacted the original programme.

As part of completion of fitout, migration and commissioning, the West Coast DHB will need to complete outstanding works in relation to IT, relocation of equipment, furniture, x-ray and staff training etc. Full operational use is therefore anticipated to be 1 - 2 months following build completion in May. However, we will continue to work with the main contractor to see if we can continue to shorten the programme if possible.

6. Does the West Coast District Health Board have a budget and a timeframe for demolishing the existing buildings on the Buller Health site - if so, how much is the budget and what is the timeframe?

As Indicated above we are in the process of seeking funding to address this

7. If there is no budget or timeframe for demolition, why not?

It is anticipated that 2nd phase demolition (the currently occupied buildings) will commence soon after the migration and opening of the new facility. This will be on the premise that additional funding for the asbestos management is obtained. It is anticipated that this will take approx. 10 - 12 months to complete.

8. What will happen to the existing buildings if they are not demolished (i.e. could they be sold, leased etc)?

Not all buildings are to be demolished or were included in the original budget, namely the Physiotherapy building at the corner of Derby and Pakington Streets and the current Boiler House.

No decisions on the future of these remaining buildings have been made. If any DHB property is ever considered potentially surplus to DHB requirements, it can only be disposed of in accordance with the prescribed statutory disposal process.

I trust that this satisfies your interest in this matter.

You may, under section 28(3) of the Official Information Act, seek a review of our decision to withhold information by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz; or Freephone 0800 802 602.

Please note that this response, or an edited version of this response, may be published on the West Coast DHB website after your receipt of this response.

Yours sincerely



Tracey Maisey
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Planning, Funding & Decision Support