

# Consideration of Alternative Sites for the Future Hospital – Potential Impact on Project Delivery

## Report of the Minister for Infrastructure

### 1. Introduction

This report is complementary to a report of the Health and Social Services Minister that addresses potential impacts on services that would result from the delay caused should an alternative site be considered for the Future Hospital and the current scheme stop.

This report has been produced by my team for me as Minister for Infrastructure as I have political responsibility for delivery of the new Hospital overall. The report alerts the Council of Ministers to the potential issues and risks in relation to Future Hospital delivery programme should an alternative site be progressed for a new general hospital.

The DfI Minister has political responsibility for delivery of the project, but will also be responsible alongside the Health and Social Services Minister, for ensuring that the current Hospital can function adequately over a prolonged period.

The Health and Social Services Minister has also produced a separate report in response to the Hospital Policy Development Board (PDB) report 'Review of evidence to build a new hospital on the existing site'.

These three reports are to be tabled to Council of Ministers for consideration at its meeting of 12 December 2018.

### 2. Risks Associated with Delay or Cessation

The risk relating to a material delay in the current scheme or cessation of the current scheme can be categorised below. There are also some costs attached to risks that were contained in the OBC for the hospital project for the do nothing option. These costs and those associated with the other risks will be updated subject to the outcome of the COM discussion.

In high level terms these costs relate to

- a) Health and Community Services backlog maintenance

General Hospital Backlog Maintenance Plan (Original estimate 2016 version)							Total
	2016	2017	2018	2019	2020-2025	2026 onwards	
Total predicted spend	£5,276,132	£5,378,144	£2,766,515	£3,665,612	£26,559,795	£39,274,252	<b>£82,920,450</b>
MTFP 2016-2019	£2,850,000	£2,850,000	£2,850,000	£2,850,000			<b>£11,400,000</b>
<b>Shortfall</b>	<b>-£2,426,132</b>	<b>-£2,528,144</b>	<b>£83,485</b>	<b>-£815,612</b>	<b>-£26,559,795</b>	<b>-£39,274,252</b>	<b>-£71,520,450</b>

- b) capital items needed for to enact the OBC 'do minimum option. A key item in this option is the provision of a temporary decant ward to enable refurbishment of existing wards to a minimally acceptable standard. The cost of this ward would be £6-8m

Risk Category	Risks and Issues
Project programme/cost risks	<ol style="list-style-type: none"> <li>1. Loss of contractor and the associated costs</li> <li>2. Procurement of new contractor and time/costs associated with this</li> <li>3. Cost associated with delay in borrowing decision</li> <li>4. Sunk costs incurred and unavoidable costs committed but not yet met (e.g. rent of 28-30 The Parade)</li> <li>5. Backlog maintenance as a consequence of prolongation of services on the existing general hospital site to at least 2028</li> <li>6. Costs associated with change in the project brief should mental health services be included in the Future Hospital</li> <li>7. Costs associated with repeating the appraisal of alternative sites (client team, external advisors and on costs)</li> <li>8. Additional costs associated with new design and delivery of a new hospital on an alternative site (professional fees, planning fees and other costs)</li> <li>9. Inflationary and other costs associated with extension of programme to at least 2028</li> </ol>
'Health' safety and performance risks	<ol style="list-style-type: none"> <li>10. Patient safety risks described in Annexe H of the Policy Development Board report in the period between the availability of services in the approved scheme and the availability of the same services in a scheme on an alternative site</li> <li>11. Impact on retention of Project Client Team (and cost of recruiting a new team)</li> <li>12. Impact on recruitment and retention of key Hospital staff</li> <li>13. Impact on economy due to lack of appropriate modern Hospital facilities – this would include; greater number of off-work days due to delays in treatment, risk of not recruiting/retaining staff in key industries on Island</li> </ol>
Island reputational risks	<ol style="list-style-type: none"> <li>14. Reputational costs to the Project and the Island associated with uncertainty on site appraisal and approval</li> <li>15. Reputation in national and international construction sector as a result of loss of contractor and uncertainty about site decision and governance of the project</li> </ol>

### 3. Costs and Other Risks Associated with Delay in Delivery

The Project Board cannot own risks caused as a consequence of continuing and delay against the costed programme. Nor can it own the risks created should the Assembly decide not to proceed with the development of a hospital on the approved site.

The approved cost envelope of £466m, which includes a fixed contingency sum based on the approved scheme and programme, could not continue to be assured by the FH Project Board, and the risk to achieving cost certainty would transfer to Council of Ministers.

### 4. Conclusion

Uncertainty caused by the decision to review the project is already having a material impact on the ability to progress the Assembly approved scheme. This uncertainty will continue to impact until a clear decision on progressing the current scheme or not is taken by the States Assembly. In the meantime, the health service contingency plans for the extended period need to commence.

## **5. Recommendations**

The Council of Ministers is recommended to take account of the Minister for Infrastructure's position regarding project delivery risks associated with any delay in the project when considering the Future Hospital PDB Report, specifically:

- The programme and cost risks to the delivery of the Future Hospital
- The cost and safety risks to the existing hospital estate
- The wider reputational risks for the States as a client body for large scale projects

## **Minister for Infrastructure**