

21.06.29

**17 Deputy M.R. Higgins of the Assistant Chief Minister regarding costs of the Future Hospital (OQ.155/2021):**

Will the Minister explain to Members the actual (to date) and projected financial costs of any delay in determining whether the projected changes to Westmount Road and the area around the People's Park go ahead?

**Senator L.J. Farnham (Assistant Chief Minister):**

To date the requirement of the second amendment to P.123/2020, which was the proposition to decide the location of the site selection of the new hospital, that amendment was to undertake a full options appraisal of access routes for the Our Hospital project, created approximately a 3-month delay in the design. This has not significantly delayed the overall project completion timetable as where possible the project workstreams have been progressed concurrently and this has somewhat mitigated against the delays experienced and any additional costs incurred. I would stress that currently the overall project remains on target for completion at the end of 2026 and within the budget that will be coming to the States for approval in September. But to answer directly the Deputy's questions, by managing carefully the ongoing programme of works with the design and delivery partner we have avoided significant additional costs. It is estimated that approximately £100,000 to date of additional costs has been incurred because of that delay. Costs in relation to the delay of the start of the building project is estimated to be £100,000 a day and a breakdown of those costs were included in an answer to a question on 29th June.

**5.17.1 Deputy M.R. Higgins:**

I thank the Minister for the £100,000 figure, which is considerably less than I had been led to believe. How much will determining whether the road will be used or not add to the project?

**Senator L.J. Farnham:**

We are speaking to the project team who are working very closely and very hard with the design and delivery partners. If we can deliver all of the design and planning applications by early November at the latest and receive planning approval within 6 months, which could be by the end of May, then we do not see significant additional costs. The team are working extremely hard with the delivery partners to keep things on schedule and on budget. If we do not get planning permission by then and it moves over into purdah or into the next session of the States then we are into the territory where we could be incurring costs of about £3 million a month, which is the cost of retaining the design and delivery partner past those dates.

**5.17.2 Senator T.A. Vallois:**

I find some of the answers in relation to this major project rather contradictory. We have heard from the Deputy Chief Minister that the project remains on target so the question is why was an extra £18 million needed under R.105? It is not good enough, I do not believe, to argue the fact that politically, or whether it is a Parish expectation, those risks are taken on board within a major project. Can the Deputy Chief Minister openly and transparently explain how and why we are incurring these costs at the rate that we are and whether we are being too ambitious for the project that we are expecting to see delivered by 202?

**Senator L.J. Farnham:**

Yes, we are not incurring any additional costs. The changes are to the timing. All and every cost that we talk about in the project is within the maximum estimated figures of £804.5 million, and a proposition will be coming to the States for debate in September to ask the States to approve that budget and to approve the funding of it. So all of the costs are within that budget. There are no additional costs above that. That budget does include significant amounts of contingency and optimism. I do undertake on behalf of the oversight group and the Government to be as transparent as possible, as we have been by putting every scrap of information we have available into the public domain and breaking that down to a simple explanation where required.

**5.17.3 Senator T.A. Vallois:**

I would like to challenge the Deputy Chief Minister on the argument that it is no extra money. If that is the case with all the requirements under our Public Finances (Jersey) Law and public finances manual why was it required that we had to transfer £18 million from other capital projects to the hospital project if it was appropriately identified within the Government Plan?

**Senator L.J. Farnham:**

As I have said, this is to do with the timing of the spend and this is to keep the team working and get the project to the next stage. We have some plans for further updates for States Members. I would be quite happy to provide a complete breakdown of how that works out to States Members. As I said before, it is all about the timing, ensuring we have the money allocated to keep going past that stage. We are planning this project, we are running a number of workstreams of the project concurrently to keep to the challenging time schedule of having the new hospital opened and fully commissioned by the end of 2026. We are doing that simply because after that date the costs of maintaining the original site start to grow exponentially. I would be very pleased to provide a further briefing to States Members and provide the exact breakdown of all of the current figures, how the budgets are working and we will do that prior to the debate in September but after lodging the proposition, which we are due to do by middle of July.

**5.17.4 Senator K.L. Moore:**

Is the Minister aware of any risks from the project team with regard the affordability of the project?

**Senator L.J. Farnham:**

Does the Senator mean are we aware of the risk of the project costing more than £800 million?

**Senator K.L. Moore:**

Have any concerns about this point been raised with the Minister?

**Senator L.J. Farnham:**

No. The Our Hospital project team are determined to deliver the project within the budgets already estimated. However, I think I have to be straight with the Assembly, the inflationary cost and the cost of building materials is under significant pressure following Brexit and following the global pandemic. We do have generous amounts of optimism and contingency programmed into the budget but we are watching those global pressures very closely. Currently we are still estimating to deliver within our original financial envelope.

**5.17.5 Deputy I. Gardiner:**

I would like to follow up from the previous questions, if possible. The first one is how is the Deputy Chief Minister assured that the inflation from Brexit will not mean we go above the £804 million envelope?

**Senator L.J. Farnham:**

The advice we are getting from the Our Hospital project team is despite those pressures we are currently still on target to work within those budgets.

**5.17.6 Deputy I. Gardiner:**

Just to reconfirm that the financial estimates will be lodged in the middle of July for the attention of the Assembly?

**Senator L.J. Farnham:**

Sorry, in my eagerness to give a date I miscalculated, it has to be lodged in time for the first debate in September, so I think that is probably towards the end of July, the beginning of August at the latest.

[15:45]

We would like to lodge the proposition as soon as we possibly can to give Members and Scrutiny as much time as possible to work on it.

**5.17.7 Deputy M.R. Higgins:**

I hope the Assistant Chief Minister will arrange for a new special briefing for States Members and I hope he will be totally transparent on the figures. I might add I am confused on the figures, other States Members are, we are getting conflicting information but we need to finally get on one piece of paper almost what the exact figures are. I will leave it at that, thank you.

**Senator L.J. Farnham:**

That message is received loud and clear and the proposition on the budget approval and the financing we will present to States Members and I very much hope that will clear up any misunderstanding or further questions Members will have. I undertake to do that as soon as possible.