

STATES OF JERSEY



OUR HOSPITAL PROJECT: REPORTING

Lodged au Greffe on 16th November 2022
by Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter
Earliest date for debate: 13th December 2022

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

in order to achieve the best possible clinical and financial outcomes from the delivery of a new Hospital, to request the Council of Ministers to present a report to the States, no later than 20th March 2023, in which a comparison is made between the multi-site option indicated in the report ‘A Review of the Our Hospital Project’ (R.154/2022) and the Overdale project, as previously approved with the adoption of the following propositions –

- Our Hospital Site Selection – Overdale (P.123/2020);
- Our Hospital – Acquisition of land for the new hospital at Overdale (P.129/2020);
- Our Hospital – Preferred Access Route (P.167/2020); and
- Our Hospital – Budget, Financing and Land Assembly (P.80/2021);

with the report specifically to include –

- (a) a direct like-for-like financial analysis of the multi-site option and the approved Overdale project to include both capital and running costs;
- (b) a direct like-for-like clinical and medical analysis of the multi-site option and the approved Overdale project; and
- (c) additional options for funding the approved Overdale project;

and that no decision should be sought of the States Assembly that would deviate from the decisions previously taken on the Hospital project until the report has been presented.

DEPUTY L.J. FARNHAM OF ST. MARY, ST. OUVEN AND ST. PETER

REPORT

Our Hospital is an essential investment into the lives and health of all Islanders.

The aim of this Proposition is to ensure that the government does not abandon the approved Overdale project without States approval and until such time as there is certainty that the Multi-site scheme proposed by the Chief Minister and the Minister for Infrastructure in their report 'A Review of the Our Hospital Project' (R.154/2022) is a better option for Jersey than Overdale, both clinically and financially.

Our Hospital - Overdale

Our existing health estate is deteriorating and the longer we delay in delivering a hospital, the more this will impact on running costs, standards of care and recruitment and retention of clinical and professional colleagues.

Over time, the deteriorating estate will impact health outcomes and mean that our population's health also deteriorates, affecting our economically active community and having detrimental effects on our wider economy and finances.

The Our Hospital project at Overdale presented a States approved vision of a modern, fit for purpose, single site hospital which meets the current and future needs of patients, clinicians, healthcare staff and visitors. It is a vision of a hospital where clinical adjacencies have been thoroughly thought through, based on the experience and expertise of the doctors, nurses and healthcare staff who will work in Our new Hospital. The approved project is designed in a flexible way to enable clinical and non-clinical areas to be adaptable, with the ability to change in layout and use, where appropriate, to meet evolving models of health and care delivery, any future pandemic situation and the needs of Islanders as treatments and technologies continue to progress. It has been designed to accommodate evolving iterations of care models for Jersey, since medical science and healthcare is ever changing as are working practices.

It is a hospital that will attract and retain the very best clinicians and healthcare staff to work in Jersey, who can bring with them excellent professional skills to contribute to positive health care and wellbeing outcomes for generations of Islanders.

The Overdale project brings clinical services together on a single location in a purpose-built hospital, where patient, staff and visitor experiences will be significantly improved. The greatly improved placement of related medical services, which were established with medical professionals, will ensure that patient flows will be easier and quicker making the hospital a more efficient and effective place for all.

A Review of The Our Hospital Project

The Chief Minister together with the Minister for Infrastructure, have published a report, as part of her 100 Day Plan, entitled; A Review of The Our Hospital Project - Advice to the Assembly about whether changes can be made to deliver a more affordable and appropriate alternative.

The report can be found here: [R154/2022 - A Review of The Our Hospital Project](#)
The report itself is disappointing in the context of the large amount of expert clinical advice and detailed financial information compiled for the existing project, it is light on detail and lacks evidence to underpin its findings.

At its own admission, the report is subjective as the final paragraph on page 113 states: 'All of the assumptions laid out in the above are subjective and should be validated by a further detailed analysis prior to the ratification of the selection of the option going forward'.

Notwithstanding the above, the report claims that the scheme in its current form and delivery model, a single site solution, based at Overdale is unachievable within the original £620 million envelope see tables below P80/2021. OBC = Outline Business Case

Table 1 Existing Budget - Project Capital Costs

Cost Categories (£m)	P123/2020	OBC
Main Works	286.5	311.7
Preliminaries	43.0	53.4
Design & Professional Fees	41.8	33.6
Inflation	27.5	34.6
Equipment	50.2	56.3
Contractor Contingency	31.1	35.8
Pre-Construction Services Agreement	29.2	34.2
Overhead and Profit	40.6	44.6
Sub-total	549.9*	604.2
Re-provision of Services from Overdale	5.0	14.6
Demolition	7.0	Demolition to support delivery of project now included in Main Works category
Decant & Migration from current site on Our Hospital being operational	3.1	0.6
Total	565.0	619.4

**P.123/2020 described £550 million of Design and Delivery Partner Costs – the small difference is due to the cost categories described on P.123/2020 vs the OBC and rounding*

Table 2 Existing Budget – Other Budgeted Costs

Cost Categories (£m)	P123/2020	OBC
Construction Costs Sub Total	565.0	619.4
Optimism Bias	101.2	38.1
Total Capital Costs inc. OB	666.2	657.5
Client Contingency	73.1	73.1
GoJ Team Costs	39.8	39.5
Land Acquisition / Re-provision Costs	25.3	34.3
Total	804.5	804.5

The report goes on to state that the current estimates are now £70 – 115 million in excess of that figure but does not provide evidence or give precise figures.

The report recommends a new scheme with an estimated cost of £635 million. However this figure does not take into account the following:

- Provision for inflation, contingencies or optimism bias
- Ongoing Government of Jersey (civil services) and Project Team costs
- Writing off £51 million (excluding property and land purchases) already expended by the current project
- Compensation and costs related to halting the Kensington Place housing development
- The loss of significant income from land and property disposals and the social benefit facilitated by consolidating our current health facilities in one location
- The cost of maintaining the current hospital facilities during the extended build time
- The additional detailed financial and logistical running costs of operating over multi-site facilities compared to a single-site solution.

It is therefore highly likely that the proposed multi-site scheme will cost more and will not produce the best clinical/patient outcomes.

By suggesting a multi-site hospital spread across many locations the report disregards the valued clinical advice which strongly advocates that Jersey would be best served by a single-site hospital.

The new scheme, at best, would take at least ten years to complete whereas the current scheme could provide a fully operational hospital by the end of 2026.

Affordability

One of the main premises behind the report is that the Overdale Project has become unaffordable.

This assertion raises a number of important issues and should be challenged.

Firstly, contrary to assertions in the executive summary and the foreword by the Minister that, in essence, the Our Hospital Project at Overdale (OHP) is to be abandoned, partly because of the changes in the financial markets, pages 91 and 92 of the report make the following statements:

“A.7 Despite changes in the underlying financial markets environment, the broad principles of P.80/2021 still apply today - the Strategic Reserve pays the annual financing costs and ultimately repays the debt.”

“A9. The new proposed approach to borrowing would utilise a more flexible solution that is more closely matched to any Our Hospital spending profile. This would involve shorter-term debt being replaced by longer-term funding as the project progresses.”

“A12. The chart on page 91, (below) and using current assumptions for interest rates and investment returns, demonstrates that borrowing at the level approved in P.80/2021, and up to £850 million, can still be supported through the new proposed funding solution and leads to a better long term outcome than solely using reserves.



Therefore in summary, the OHP can still be funded using a modified, but similar proposal to that originally put forward, and indeed, under the revised proposals, the Strategic Reserve is projected to end up higher than originally predicted. Indeed the Treasury team should be praised for continuing their work from to produce a more flexible method of financing the project which could be applied to either option.

Secondly, a brief review of the purported savings identified in the report raises the following issues:

- 1) **The cost of further delay.** The review identified a delay of 2 years, from now, before any new scheme can commence. The revised scheme is estimated to cost £635 Million and eight years to complete in three phases. Inflation in Jersey is now more than 10%, and indeed I am informed that building cost inflation is a minimum of 10%. A 10% increase (over 2 years), on £600M is more than £120 Million. Please note the review also identifies that the length of the various elements of the new proposed project would be longer than that projected for the OHP. This calculation (of £120 Million) ignores the cost of the delays after 2027, which are also very likely to be significant, and would reduce any savings further.
- 2) **Increased cost of a multi-site solution.** Although the Ministers have tried to downplay the impact of a multi-site solution, the report states the following "...there may be a degree of duplication in some clinical infrastructure which will have revenue implications, for example diagnostics facilities. There may also be increased staffing requirements..." (page 18) ; "...Appropriate resourcing of current healthcare facilities is recognised to be a global issue... Additional staffing would therefore seem to add to an existing issue... This is beyond the scope of this review and the hospital project itself..." (page 19).

The cost of duplication and additional running costs should not be underestimated, and has not been factored into their calculations.

- 3) The claimed savings figure of up to £170 Million (which appears to be a maximum) comprises the following :
- a) £50 Million from the scheme itself.
 - b) Up to £60 Million from greater competition within the local industry. This is not site specific. IE in theory it could be applied to any scheme. However, given we also have a significant housing requirement, which presently exceeds the capacity of the industry , I do not see how the industry would reduce its costs / profits by 5% - 10% for one scheme (the Hospital), when it cannot keep up with the present demand for Housing.
 - c) Up to £30 Million from greater use of digital technology. This was already under consideration in the OHP. It is not site specific, and I cannot see why the single site option could not also achieve the same (desirable) reductions in cost, if they are feasible.
 - d) Up to £30 Million from the use of modern methods of construction. This was already under consideration in the OHP. It is not site specific, and I cannot see why the single site option could not also achieve the same (desirable) reductions in cost, if they are feasible.

However, even if this total is fully achievable it is clearly cancelled by the costs of delay and costs of duplication from having to operate across multiple sites.

But, in addition to the above, the following has also not been taken into account :

- Under the OHP, Gloucester Street would become a vacant site. The report (page 17) identifies this as having a value of up to £20 Million. If the site is retained for the new project, then £20 Million needs to be deducted from the £170 Million (in addition to the many other disposals available by consolidating to a single site).
- Page 19 of the report suggests that the Les Quennevais site could also be retained to the Health portfolio. Its alternative use value is not stated, however in size it is not much different in area to that of Gloucester Street. This would also have to be deducted from the apparent savings
- It is understood that the Kensington housing development has been suspended. There will undoubtedly be 2 costs arising from this that should be deducted from the savings :

(a) site acquisition – ie Andium will have to be compensated somehow for the land it acquired, and is now being directed to give up.

(b) It would seem logical that the developer will have a claim for compensation for loss of profits, which the IHE Minister has publicly guaranteed will come out of tax payers funds (rather than those of Andium). Both of these points obviously ignore the separate need for Housing, which the removal of these sites would worsen.

The report also states that “...assurances were given that all required resources would be made available to keep the existing hospital buildings safe...”. It has clearly and repeatedly been stated that the existing Health estate is in a very poor condition. The maintenance costs of that estate start increasing significantly after 2026 These costs

should also be deducted from the estimated savings, given it is a consequence of a decision to go for a different project.

- It seems to be implied that satellite sites, such as catering and laundry etc would continue to be away from the main site. Should this be the case then the continued extra costs of transport, staffing etc should be offset against the estimated savings, as the intention, under the OHP, was to bring them on site.
- It is unclear from the report what is the status of the mental health facilities. Whilst one would hope that these remain included in the calculations, the report also refers to these as a “ separate project”. If the costs for the mental health facilities are no longer included in the main budget, then that should also be deducted from the estimated savings.
- I have not attempted to estimate the cost of producing a new scheme, and note that it is likely that any decision to cancel the OHP would involve writing off at least £50 million that has been incurred to date in getting the OHP to its present state of readiness (including a successful planning permission).

The report offers no suggestions as to what the total of these figures might be. Yet the Minister has stated that the Assembly will be asked to make a decision (presumably to rescind its support for the OHP) without “...any detail on the delivery, the costings , the staffing etc” (Hansard 1 November 2022). That is unacceptable. In the past if any Minister had used such a vague report as the basis of a decision to cancel the most important capital project this Island has ever seen, they would rightly have been given very short shrift.

The report warrants much greater analysis than I have been able to give in these few pages, and we have a duty to make such important decisions (which ultimately will affect the health and the very lives of every Islander for decades to come), on the basis of good evidence.

The report does not qualify as good evidence, and I urge Members to support this proposition which requests that such evidence be provided before a decision is made to abandon Overdale.

Financial and manpower implications

There are no Financial and Manpower implications arising from this proposition.