States of Jersey
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Senator Lyndon Farnham
Deputy Chief Minister
By Email

13 August 2021

Dear Deputy Chief Minister,

Future Hospital Review Panel

Our Hospital Project Outline Business Case and Funding Review

Public Hearing questions

Firstly, the Panel wishes to express its thanks for your attendance at the Public Hearing held 11 August 2021.

As indicated, the Panel had a number of questions which it was unable to ask in the time constraints of the hearing, including some of a technical nature, and as such we would be therefore be grateful is you could answer the following:

1. Why do designs include elements like atriums when this could drive price up and reduce optimisation of space?
    a. Would removing elements like this in design lead to a smaller impact on the island's skyline?
2. The information provided to support the costs tables within the OBC for the preferred option are based on a Gross Floor Area (GFA) adjusted for "Opportunities for reduced GFA arising from clinical brief review exercise at end of Stage 2" which equates to a 4,282m2 reduction to the GFA stated in the RIBA Stage 2 Design Report. Please provide a schedule evidencing where this reduction has been achieved across the departments. What is the status of this area reduction, has it been agreed and signed off by clinical user group teams?
3. The project Critical Success Factor No.6 – "*is the option likely to be affordable from both a revenue and capital perspective"* was not assessed at Strategic Outline Case (SOC) but it was stated, in that business case, that it would be assessed in the Outline Business Case (OBC). However, as identified in the hearing, future revenue costs have not been fully considered in the OBC. Why is this?
    a. It has been suggested that the non-inclusion of this in the OBC means there is a lack of information on the true costs of ownership of the preferred option, and means that without such information the OBC is not complaint with Green Book principles, what are your views Minister?

4. The life cycle cost estimates for the new build option in the SOC have increased significantly, even when the building size has only increased by a smaller proportion. Why the significant increase in annual life cycle revenue costs?

    a. What certainty is there that costs will not increase again for Full Business Case (FBC)?

5. The OBC cost tables do not provide a comparison with the SOC in order that the movement in cost headings is clear and reasons explained, such as works cost up or optimism bias down. Does the Minister agree that transparent presentation and explanation of the movement would be useful to put into context for further movement during FBC stage?

    a. We would be grateful if an explanation of the movements across cost headings of the SOC and OBC could be provided.

6. The OBC references that the main works value (£406.2m), with exception of the £53.4m preliminaries allowance, is based on costs provided by the Design Delivery Partner (DDP) and validated by the cost consultant. The preliminaries are based on the cost consultant's assessment as the DDP value was not considered to be typical for this type of project. The Two Stage procurement strategy adopted and set out in the SOC and OBC included preliminaries costs for the works. If preliminaries costs were included in initial DDP tender, why is there a disparity between DPP and cost consultant?

    a. What is this level of difference in order that level of pricing risk can be understood?

7. It is unclear from information provided if the costs for decommissioning the existing facilities after decant / transition have been undertaken are included in the OBC figures. Can this be clarified?

8. There are three levels of cost allowances for level of uncertainty included in the OBC preferred option costs - contractor contingency equates to approximately 8%, Optimism Bias equates to approximately 6%, Client risk equates approximately 11% - totalling £147 million. If the clinical briefing work has been completed and the size and scale of the facility is understood, and there has been input by both an internationally experienced DDP and an experienced international cost consultant to agree the baseline costs, why is there such a high level of risk and contingency necessary as it amounts to approximately 18% of the overall project borrowing requirements?

9. The OBC refers to the project cost consultant undertaking a benchmarking analysis to evidence the level of costs presented are accurate and reflective of similar healthcare facilities adjusted for Jersey location factor. Excluding the Jersey factor, where does the baseline costs for the facility sit compared to reference projects elsewhere?

10. The OBC states that inflation has been applied to the construction costs based on BCIS (UK Building Costs Information Service) inflation indices with a Jersey Factor. What is the Jersey Factor applied and how has this been assessed?

11. What is the known or understood impact that the borrowing and proposed bond issuance will have on the Island's financial and economic situation?

12. Please can it be explained why the potential disposal sites or divergence of assets are out-with the scope of the Our Hospital Project?

    a. Would Capital receipts reduce the overall funding need for the project reducing ongoing revenue costs to service the debt?

    b. Why is there no issuance of a local bond envisaged?

    c. What consideration has been given to the sale of certain States owned assets in order to generate cash?

13. How does the Outline Business Case account for the potential change in service demand, for example of dialyses due to increase in cases of diabetes?

14. The Panel has already received numerous submissions to this review, none have supported the plans as they currently stand. Minister what do you say to islanders who indicate that a "world class" hospital at an "eye watering" cost is not needed?

    a. During the debate of P.5/2019 members of the Government argued that the rescindment of the Gloucester Street site would deliver "a new site, with a build cost that is less." What have been the factors that have led to Ministers being able to justify this reversal of outcome to themselves and to the public?

15. P.80/2021 includes proposals for compulsory purchase of land or access. Has a feasible alternative site for the Jersey Bowling Club been found?

Following the hearing, it would be useful to clarify a number of points:

1. Dr Ashok Handa stated the cost to build the private patients facility was £10m, can the calculation to support this statement be provided?

2. It was stated by the Group Director, Finance Business Partnering & Analytics, that 'adaptions' were made to the Green Book to reflect the specific situation in Jersey – can these 'adaptions' be detailed and the rationale for each of them be explained?

    a. Why are these not outlined in the OBC when it is clearly stated in that document that it is considered fully complaint with the Green Book and verified by such by a third party?

3. Given that the Functional Brief for the new hospital was not intended to reflect only the Jersey Care Model but to fit 'any model of care' (OBC p70, sub-paragraph 4.6.2.1), it is not clear why only one option for the scope and size of the new hospital was shortlisted – why were alternative scopes not considered in line with the Green Book option filter framework?

4. The rationale given for not including a baseline Business as Usual (BAU) option on the shortlist was that this option was not viable as the hospital would need to close in 2026 – this issue could have been addressed as a costed risk in the economic appraisal, so that the Green Book requirement for a BAU option could be met. The Strategic Case for replacing the existing hospital has been made, and the intent of questioning the rationale for not including the BAU option is not around reopening this issue, but to address the gaps in Green Book compliance and support the case for change in the OBC. Therefore, why was this approach not taken?

5. One of the stated reasons for not quantifying benefits was the absence of suitable baseline data, yet the OBC makes a number of references to the Jersey Care Model and the demand and capacity modelling work addressing issues such as length of stay reductions, admissions avoidance, etc – this suggests that data relating to at least some potential cash-releasing and non cash-releasing benefits was in fact available. Can this discrepancy be explained?

6. Can you provide a comparison of the bed and theatre capacity in the plans for the new hospital with the existing bed and theatre capacity, as well as an explanation of any changes?

7. Dr Ashok Handa suggested that the infrastructure of the current Jersey General Hospital would fail in 2026, given the continued spending on the current hospital, in particular the announcement of replacement of ventilation systems, are these costs included in those ongoing costs outlined in the OBC?

We look forward to hearing from you and would appreciate a response by no later than Friday 20 August 2021.

Yours sincerely

Senator Kristina Moore
Chair
Future Hospital Review Panel