

Greater Glasgow NHS Board

Board Meeting

Tuesday, 18 May, 2004

Board Paper No. 04/33

Chief Executive, North Division

Glasgow Royal Infirmary Contract for Car Park Management Scheme

The NHS Board is asked to:-

1. re-appraise itself of the information provided and the approval given to the GRI Multi-Storey Car Park Full Business Case (FBC) at the July 2003 Board meeting;
2. note the points in this paper updating the NHS Board of the relevant changes that have taken place between the FBC approval in July 2003 and subsequent contract finalisation;
3. recognise the current situation regarding the price of steel and the potential for this to terminate the project;
4. confirm that the Health Board Chief Executive and other duly authorised Director can proceed to sign the PFI contract for provision of the GRI Multi-Storey Car Park

1. Background

- 1.1 Members will recollect that provision of a Car Park at Glasgow Royal Infirmary (GRI) remains an obligation under the original planning consent for recent new build at that site. As described in the Full Business Case (FBC) Paper, as approved by the NHS Board on 15 July 2003 and the Scottish Office Capital Investment Group Meeting on 19 August 2003, North Glasgow has been progressing this project with Impregilo post the withdrawal of the original preferred bidder. This has led to some delay in delivering the project. Further issues which have caused some delay related to Road Construction Consent for improvements to the main access road from Alexandra Parade and a land title issue. As a consequence, now that a position to make financial and contractual close has been reached, approval of the contract requires to reflect the change in Trust status at the beginning of April 2004 and the Minute of Authorisation for entering into this Agreement requires now to be approved and adopted by the NHS Board.

2. Update from FBC Approval to Current Position

2.1 Contractual

Final contract negotiations, the obtaining of planning consent for the multi-storey and response to circumstantial changes have resulted in the following changes from the paper submitted on 15 July 03:

EMBARGOED UNTIL MEETING

- Car parking spaces in the multi-storey have now been finalised at 1,056. With the near final estimate of ground car park spaces at 352 this will provide a total of 1,408. These will be split 672 staff (938 permits), 704 visitor and 32 disabled.
- During the building phase staff parking at the GRI will reduce from 440 to 294 spaces.
- Concern over the potential for congestion charging has resulted in a clause being inserted into the contract allowing the period of the contract to be extended for up to 5 years to allow Impregilo to recoup any lost profit due to the effects of congestion charging. Conversely, the clause allows for any profits obtained by Impregilo over and above the previously agreed norm to be paid to the North Division should this be attributed to congestion charging. Although congestion charging is not currently being contemplated in Glasgow previous plans showed that the location of the car park would be just outside the congestion charge boundary.
- The Central Legal Office, Commercial Contracts Section, has acted for the former Trust and now the NHS Board in the negotiations for this Contract and has followed the Standard Form Project Documentation issued by the Scottish Executive for use with PPP/PFI projects adapted as appropriate for this Contract.

2.2 Environmental/Commercial

Environmental and commercial changes that have taken place during the period are:

- Due to excess demand the price of steel has increased by close to 20% since the FBC stage and is expected to rise again at the end of May 2004, perhaps pushing the price up by close to 50% overall. Impregilo are currently revising their model to quantify the effect of the initial increases but are indicating that the second (May) round of increases would make the project untenable under the present charging arrangements.
- The contractual requirements for the multi-storey car park and the surrounding ground car parks are broadly in line with the current proposals in the Draft Greater Glasgow NHS Car Parking Policy. There remain some minor issues which will be addressed over the subsequent 12 month construction period. Current arrangements will continue during this time.
- The Division also requires to effect the early TUPE transfer of the existing contracted out GRI car parking staff to the new provider.

2.3 Other Factors

Other non-contractual factors that have changed in the period from July 03 to date are:

- The improvement of the road junction at Alexandra Parade is a condition of the planning consent for the multi storey car park and must be complete before the car park can commence operation. Before the junction works can commence, the NHS Board require to secure Roads Construction Consent (RCC) from Glasgow City Council.

The Council have now granted conditional RCC pending agreement of a drainage specification with Scottish Water. As of 11th May the Council have confirmed that the works may proceed based on this conditional consent. We believe that this is now a matter of formality and will be resolved imminently.

- Since the approval of the FBC in July 03 North Glasgow has explored further the issues and risk associated with the land title required to allow widening of the Alexandra Parade access road to be undertaken. While it is believed that ownership lies with Glasgow City Council (GCC) or potentially British Waterways Board neither entity have, to date, been able to demonstrate this. GCC have, however, indicated that they will positively consider a proposal requiring them to enter into an open missive agreement allowing 10 years for them to find title or title will revert to the North Division. Should GCC produce title, market value would be paid to purchase the site. British Waterways Board have previously indicated that they would relinquish any claim for title for a modest consideration and an insurance policy will be taken out to cover the risk of any third party interest. As with any title issue there remains a small risk that the agreed process does not proceed and GCC exercise their legal rights (should they be able to prove title).
- On 1 April 2004 the Scottish Office issued HDL(2004)19, Guidance on Hospital Car Parking Charging. The GRI Multi-Storey Car Park project complies with the major aspects of this guidance. It will provide visitor parking where none previously existed, provide staff parking at considerably discounted rates and does not provide any surplus income for the Division. Other less onerous aspects of the guidance will be addressed during the 12 month construction period.

3. CONCLUSION

- 3.1 The NHS Board is asked to approve the attached Minute to allow contractual close for a project that addresses one of the key public concerns – access to the Royal Infirmary site – identified during the Acute Services Review. This will enable this project to commence and allow the ordering of steel to take place, thus avoiding the potential collapse of the project due to further steel price increases.

If approved, the Chairman would be authorised to sign the attached Minute and this will allow the Central Legal Office to complete formalities and lead shortly to the signing of the Contract for the provision of a Multi-Storey Car Park at the GRI by mid-2005.

Tim P Davison
Chief Executive, North Division
Tel. No. 0141-201-4218

GREATER GLASGOW HEALTH BOARD

Extract of the Minute of a Meeting of the Board of Greater Glasgow Health Board ("NHS Board") duly convened and held at Glasgow on 18 May, 2004.

Present: [List of Members attending]

1. QUORUM

The Chairman noted that a quorum was present and the meeting declared duly convened.

2. PURPOSE OF MEETING

The Chairman explained that one of the purposes of the meeting was to:

- (a) consider the project in relation to the procurement of the Car Parking Management Scheme at Glasgow Royal Infirmary (the "Project") initiated by North Glasgow University Hospitals NHS Trust (the Trust") which Trust has now been dissolved by virtue of the National Health Service Trusts (Dissolution) Order Scottish Statutory Instrument 2004 (107) made by the Scottish Ministers pursuant to Sections 12A and 105(6) and paragraph 251(1) of Schedule 7A to the National Health Service (Scotland) Act 1978 and the rights and liabilities of the Trust were transferred to Greater Glasgow Health Board by virtue of Order made by the Scottish Ministers in exercise of the powers conferred by paragraph 26 of Schedule 7A of the said 1978 Act dated 25 March 2004
- (b) consider the latest developments and agreements in relation to the procurement of the Project;
- (c) consider and approve the documents to be entered into by Greater Glasgow Health Board, copies of the latest drafts of which and other documents were available (the "Project Contracts"), namely:-
 - (i) Project Agreement between Greater Glasgow Health Board and Impregilo Parking (Glasgow) Limited;

- (ii) Greater Glasgow Health Board Construction Direct Agreement among Greater Glasgow Health Board, Impregilo Parking (Glasgow) Limited; and Impregilo (New Cross Limited);
 - (iii) Greater Glasgow Health Board Services Direct Agreement among Greater Glasgow Health Board, Impregilo Parking (Glasgow) Limited; and APCOA Limited;
 - (iv) Lenders Direct Agreement among Greater Glasgow Health Board, Impregilo Parking (Glasgow) Limited and Royal Bank of Scotland plc;
 - (v) Ground Lease by Scottish Ministers in favour of Impregilo Parking (Glasgow) Limited;
 - (vi) Guarantee by Impregilo SpA in favour of Greater Glasgow Health Board;
 - (vii) Architect Collateral Warranty among Impregilo Parking (Glasgow) Limited, the Dinardo Partnership and Greater Glasgow Health Board;
- (d) authorise the entering into by Greater Glasgow Health Board of the Project Contracts and other associated documents subject to any amendments which are approved by any one of the Chief Executive or any Executive Director of Greater Glasgow Health Board appointed by Greater Glasgow Health Board for that purpose, after the date of this meeting;
- (e) authorise the Chief Executive and any Executive Director of Greater Glasgow Health Board to execute the Project Contracts and all other associated documents (as amended, if so required) required in connection with the Project, all in accordance with Greater Glasgow Health Board's Standing Financial Instructions and Standing Orders for and on behalf of Greater Glasgow Health Board;
- (f) authorise the Chief Executive or any Executive Director of Greater Glasgow Health Board appointed by Greater Glasgow Health Board to approve, on behalf of Greater Glasgow Health Board, any other documents required in connection with the Project and which require approval by Greater Glasgow Health Board including the finance documents to be entered into by Impregilo Parking (Glasgow) Limited and Royal Bank of Scotland plc;

- (g) authorise the Chief Executive or any Executive Director of Greater Glasgow Health Board appointed by Greater Glasgow Health Board to do all things which may be necessary or desirable to finalise the terms of the Project Contracts and the other documents required in connection with the Project and procure the entering into by Greater Glasgow Health Board of Project Contracts and implementation according to their terms;
- (h) authorise Mr Brian Steven, Director of Finance, North Division, to be the named individual on behalf of Greater Glasgow Health Board for the purposes of opening an insurance proceeds account as required by the terms of the Project Agreement.

3. COMPLETION

- (a) Each of Greater Glasgow Health Board Members present at the meeting confirmed that none had any direct or indirect interest of a personal or private nature in the matters under discussion and that in accordance with Greater Glasgow Health Board's Standing Orders there were no such interests to be declared.
- (b) Greater Glasgow Health Board confirmed approval of the Project at this meeting, subject to any amendments to the Project Contracts and all other associated documents which are approved by the Chief Executive or any Executive Director of Greater Glasgow Health Board appointed by Greater Glasgow Health Board for that purpose.
- (c) It was explained that as required by the Financial Market and Services Act 2000 Greater Glasgow Health Board would require to identify an Officer who would provide personal details for the purposes of opening the insurance proceeds account, including bank account number, passport number and specimen signature and Mr Brian Steven, Director of Finance, North Division, undertook to do so when requested.

4. APPROVAL

It was explained to Greater Glasgow Health Board that a condition of the Project was obtaining certain approvals and comfort letters. Greater Glasgow Health Board was advised that the following approvals were required:

- (a) It was also explained that Greater Glasgow Health Board would be required to deliver to Impregilo Parking (Glasgow) Limited a certified copy of the

Minute of the Meeting of Greater Glasgow Health Board approving the Project together with specimen signatures (the "Specimen Signature List") of the persons authorised to execute the Project Contracts on behalf of Greater Glasgow Health Board; and

- (b) An extract of the Minute of a meeting of Greater Glasgow Health Board confirming its approval of the Project.
- (c) It was noted that approval to the full Business Case submitted by the former Trust in relation to the Project had been obtained from the Scottish Executive and a copy of the Scottish Executive letter dated 6 October 2003 approving the full Business Case was considered by Greater Glasgow Health Board.

5. APPROVAL AND AUTHORISATION OF THE PROJECT

Greater Glasgow Health Board considered that:

- (a) it is in the interest of Greater Glasgow Health Board and necessary and expedient for the discharge of its functions as an NHS Board, to enter into the Project Contracts, associated documents and the Project; and
- (b) Greater Glasgow Health Board has, in terms of Greater Glasgow Health Board's establishment orders, Standing Financial Instructions and Standing Orders, the power and authority, and it is a Health Board function to:
 - (i) enter into and perform its obligations under the Project Contracts and all associated documents in connection with the Project and be bound by the obligations contained therein; and
 - (ii) to undertake all actions and perform all obligations which may properly be required of it in connection with the Project.

Accordingly, after due and careful consideration, it being considered in the best interests of Greater Glasgow Health Board, Greater Glasgow Health Board *resolved* as follows:

- (i) that the terms of the Project be, and are hereby, approved;
- (ii) that the terms of the Project Contracts and all associated documents as described to the Meeting be and are hereby, approved;

- (iii) that the Chief Executive or any Executive Director appointed by Greater Glasgow Health Board for that purpose be and are hereby authorised to approve all amendments to the Project Contracts and associated documents after the date of this meeting – including agreement of the final pricing, considered by them, to be necessary or desirable for the purposes of the Project and to enable the Project Contracts and associated documents to be agreed;
- (iv) that the Chief Executive and any Executive Director appointed by Greater Glasgow Health Board for that purpose be and are hereby authorised to agree the terms of and sign, for and on behalf of Greater Glasgow Health Board, any letters required to be delivered to Impregilo Parking (Glasgow) Limited and Royal Bank of Scotland plc in connection with the Project, and as described to the Meeting;
- (v) that the Chief Executive or any Executive Director appointed by Greater Glasgow Health Board for that purpose be and are hereby authorised to approve all other documents relating to or required in connection with the Project, including the Finance Documents to be entered into by Greater Glasgow Health Board, Impregilo Parking (Glasgow) Limited and Royal Bank of Scotland plc;
- (vi) that the Chief Executive and any Executive Director of Greater Glasgow Health Board appointed for that purpose be and are hereby authorised to execute the Project Contracts and all other documents required in connection with the Project, for and on behalf Greater Glasgow Health Board, all in accordance with the terms of this Minute and specimen signatures of each individual so authorised are annexed to this Minute;
- (vii) that the Extract Minute of this Meeting as submitted to Greater Glasgow Health Board (confirming approval of the Project) be and is hereby approved and that the Chairman be and is hereby authorised to deliver certified copies of the Extract Minutes as required in connection with the Project; and
- (viii) Mr Brian Steven, Director of Finance of the North Division, is hereby authorised to be the named individual on behalf of Greater Glasgow

Health Board for the purposes of the insurance proceeds account to be opened in terms of the Project Agreement.

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Chairman

GREATER GLASGOW HEALTH BOARD

SPECIMEN SIGNATURE LIST

This is the Specimen Signature List referred to in the Minutes of the Meeting of the Members of the Board of Greater Glasgow Health Board held at Dalian House, 350 St Vincent Street, Glasgow on 18 May, 2004.

Name T A Divers Signature _____
[title] Chief Executive

Name W Hull Signature _____
[title] Director of Finance

Name B Steven Signature _____
[title] Director of Finance, North Division



SCOTTISH EXECUTIVE

Health Department
Directorate of Performance Management & Finance

Scottish Executive
St Andrew's House
Regent Road
Edinburgh EH1 3DG

Mr Brian Stevens
Director of Finance
North Glasgow University Hospitals NHS Trust
300 Balgrayhill Road
GLASGOW
G21 3UR

Telephone: 0131-244 3569
Fax: 0131-244 2057

Your ref:
Our ref: PST/AG

Date: 06 October 2003

Dear Brian,

FULL BUSINESS CASE - GRI CAR PARK

CENTRAL LEGAL OFFICE
COMMON SERVICES AGENCY
TRINITY PARK HOUSE
SOUTH TRINITY ROAD
EDINBURGH
EH5 3SE

20 November 2003

Certified as a true copy

Lynne Gendell

The Capital Investment Group discussed this case at its 30th September 2003 meeting and I am pleased to inform you that it was approved.

If you have any queries on the above, please do not hesitate to contact me.

In accordance with HDL(2002)40 - Openness: Publication of PPP Contracts and Capital Business Cases, business cases/ addendums in excess of £5m are required to be placed within the Scottish Parliament Library (SPICe) within one month of receiving approval. Therefore I would be grateful if you could forward a public version of this document to Glenda Roy at the above address within one month of receiving this approval letter.

Please note that any press coverage of this scheme should be discussed in advance with Mr Chris Holmes of our press office.

Yours sincerely

Paula Tovey
Finance Manager

Cc Glenda Roy
David Hastie
Ian Williamson

