

NHS BOARD MEETING

**Director of Facilities and Head of
Capital Planning**

June 2016

Paper No: 16/40

Hub Programme

The Board is requested to consider the content of the Hub Programme Update

Recommendations

The Board is asked to:

- Note the content of this report and the updated programme for the delivery of Hub Projects
- Note that the amendments to the SHA and TPA documentation between the Board and Hubwest Scotland for Eastwood & Maryhill will require to be agreed and signed in July
- Approve the revised affordability cap for Gorbals and Woodside

Purpose of Paper:-

The purpose of this paper is to provide Board members with an update on the funding issues for Hub, the updated Hub Programme and the re-setting of the affordability cap for the Gorbals & Woodside project bundle.

Key Issues to be considered:-

The funding and contractual changes to the hub model with signing of the amendments to the project documentation for Eastwood and Maryhill Health and Care Centres.

The delays to the completion and handovers of both Eastwood and Maryhill Health and Care Centres.

The resetting of the Affordability Cap for the Woodside and Gorbals Health and Care Centres project bundle.

The revised programme dates for all projects being procured through the Hub delivery model.

Any Staffing Implications from this Paper:- None.

Any Equality Implications from this Paper:- None.

Any Health Inequalities Implications from this Paper:- None

Has a Risk Assessment been carried out for this issue? If yes, please detail the outcome:-

No. However, Board members should be note that risk assessments will be carried out for individual projects noted in the Hub programme during the procurement process.

Highlight the Corporate Plan priorities to which your paper relates:-

Improving Quality, Efficiency and Effectiveness

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HUB PROGRAMME UPDATE.

Funding Background

During 2015 all revenue funded NPD and hub DBFM projects were delayed due to them being judged by the ONS (Office for National Statistics) as publicly classified under ESA10 accounting rules and thus on the public sector balance sheet. The principal concerns of ONS were the level of public sector influence and control of these projects.

On 26th November 2015 the Board were informed by SFT that the revised policy proposals for hub DBFM projects put forward by SFT (Scottish Futures Trust), to the ONS had now been judged to be privately classified under ESA10. This meant that the Boards hub current projects could now move forward to financial close as soon as they are ready to do so.

The Scottish Government agreed to all the amendments required to deliver this vital classification judgement and reaffirmed its commitment to all DBFM projects in the current hub pipeline.

These amended DBFM arrangements are based on a new DBFMCo structure produced by SFT and required changes to the SHA (Share Holder Agreement) and TPA (Territory Partnering Agreement) contractual documents between the public sector shareholders, participants and Hubwest Scotland.

Inverclyde Care Home was the principal project for the Board that was delayed by ESA10 and this was signed off by the Board in December of last year with financial close reached on 29th January 2016.

At this time although Eastwood & Maryhill were currently on site and signed off under the previous contractual regime it was agreed the Board, SFT and the Scottish Government that they should be allowed to progress and then 'flipped' to the new contractual structure on completion.

The Scottish Government through SFT have provided the funding for fees (£30K) to complete the flip and this is now programmed to be effected in July 2016.

To enable this to be achieved both amended SHA and TPA documents will need to be agreed to and signed off by the Board. Final copies for signing will be available in early July.

All other Hub projects will now follow in accordance with the revised contractual structure.

Hub Programme Update.

Eastwood Health & Care Centre and Maryhill Health Centre

The original date for the completion of Eastwood was 11th March 2016. However the completion date was postponed several times and was finally handed over on 3rd June 2016. The principal causes centred on incomplete works and BREEAM compliance.

The original date for the completion of Maryhill was 25th March 2016. Again the completion date was postponed a number of times with handover now planned for week commencing 11th July (date to be confirmed). Delays again have been caused by incomplete works and

poor quality of execution in some key elements of the construction. These will be remedied in advance of handover.

Woodside Health & Care Centre and Gorbals Health & Care Centre

OBCs were formally approved by Scottish Government on 24th April 2015. A Stage 2 submission was made by Hubwest on 18th November 2015. The submission by was incomplete and rejected by the Board.

Hubwest and the principal contractor, Morgan Sindall, had a number of key technical issues to resolve, market testing of the main work packages to be re-tendered and to provide complete information on all areas of the contractors proposals.

After a number of iterations an updated Stage 2 submission was received by the Board on 16th March 2016 which was then £3.6M in excess of the available funding. This was again rejected by the Board.

Since March there have been a series of meetings between Hubwest, Morgan Sindall and the Board (and their technical advisors) to resolve the contractual and funding issues.

A revised Affordability Cap was set by the Board taking account of inflationary uplift, technical changes to the projects, further design development and site issues. The revised figure was supported by SFT and the Board's technical advisors, reflected the true cost of the proposed works and was necessary to maintain the progress of agreeing a Stage 2 submission. It was made clear to Hubwest that the resetting of the Affordability Cap had to be approved by the NHS Board and the Scottish Government before the Stage 2 submission could be accepted and before submitting the FBC to the NHS Board and CIG for final approval.

Hubwest and Morgan Sindall have now agreed that the updated Stage 2 submission will be within the revised Affordability Cap.

Scottish Government has confirmed that the project funding will be increased to cover these additional costs and thus there will be no net increase cost to the Board through the unitary charge.

The target date to return a revised and complete Stage 2 is 5th July 2016. If this is achieved a FBC submission is targeted to come to the Board for 16th August meeting before going to Scottish Government for approval on 20th September 2016, Financial Close during last week in October 2016 and a site start in November 2016 .

To maintain this programme it will be necessary for the Board to underwrite professional fees to allow the design team to progress the design to Stage F – construction detail and thus allow the contractor to finalise work packages with key sub-contractors. The extent of that under-writing is £169K but will only be payable should the project not be approved by SGHD.

Inverclyde Adult and Older People Continuing Care Beds

The main contractor, Morgan Sindall, mobilised and site start commenced 16/05/2016 with completion planned for 30/06/2017. On programme

Lennoxtown Community hub

This project was procured by East Dunbartonshire Council through the hub programme. The accommodation includes 506m² of NHS accommodation re-providing services currently being delivered from Lennoxton Clinic, including 2 GP practices. The project was completed on programme during February 2016.

Greenock Health & Care Centre; Clydebank Health & Care Centre; Stobhill Mental Health Wards

Greenock H&CC – New Project Request submitted on programme and accepted by hub. IA approved February 2016. Stakeholder engagement sessions are taking place and design proposals in development. Hubwest has highlighted a delay to site access for site surveys. Negotiations are underway between NHS/IC and hub to resolve this. A letter has been written by GPs to HSCP outlining concerns around the site selection. This needs early resolution and a response is being developed by HSCP.

Clydebank H&CC - New Project Request submitted on programme and accepted by hub. IA approved February 2016. Stakeholder engagement sessions are continuing and design proposals in development. An outline design is being refined based on principles of Reference Design. Positive engagement with Planners and Roads Department to date. Options are being investigated to agree the most cost efficient method of site provision for the facility.

Stobhill Mental Health Wards – The mental health strategy paper was agreed at the Board in April 2015 and included the provision of two new wards at Stobhill. These are to be revenue funded and bundled with Greenock/Clydebank projects. Architects and cost consultants have been appointed to carry out early design work in advance of a New Project Request which is planned to be submitted to hub in September after approval of the initial agreement in August.

Approval timetable

	Initial Agreement	Outline Business Case	Full Business Case	Site Start	Completion
Maryhill Health Centre	Nov 2012	Aug 2013	Mar 2014	Dec 2014	June 2016
Eastwood Health & Care Centre	Nov 2012	Aug 2013	Mar 2014	Dec 2014	July 2016
Woodside Health Centre	Dec 2012	Feb 2015	Sept 2016	Nov 2016	May 2018
Gorbals Health & Care Centre	Dec 2012	Feb 2015	Sept 2016	Nov 2016	June 2018
Inverclyde Continuing Care Beds	Mar 2013	Mar 2014	June 2015	May 2016	July 2017
Greenock Health & Care Centre	March 2016	Oct 2016	Aug 2017	Feb 2018	Q2 2019
Clydebank Health & Care Centre	March 2016	Oct 2016	Aug 2017	Feb 2018	Q2 2019
Stobhill Mental Health wards	August 2016	Dec 2016	Aug 2017	Feb 2018	Q2 2019

