

NHS Greater Glasgow & Clyde	Paper No. 19/49
Meeting:	NHS GGC Board
Date of Meeting:	22 October 2019
Purpose of Paper:	Approval
Classification:	Official Sensitive
Sponsoring Director:	Tom Steele, Director of Estates & Facilities

Paper Title

Clydebank Health & Care Centre - Full Business Case Addendum

Recommendation

The Board is asked to:-

1. Note the Full Business Case Addendum for the Clydebank Health & Care Centre was approved under delegated authority by the Finance Planning & Performance Committee on 1st October 2019 and by the Scottish Government Capital Investment Group on 8th October 2019.
2. Note that the scheme has been assessed as value for money, affordable and achievable.
3. Approve entering into a DBFM Amendment and Restatement Agreement in respect of the Greenock, Stobhill and Clydebank Health Bundle, to reflect the Clydebank Change.
4. Approve the matters detailed in Appendix 1.

Purpose of Paper

This paper seeks Board approval to enter into a DBFM Amendment and Restatement Agreement to deliver the new Health & Care Centre at Queens Quay in Clydebank.

The Board will be required to finalise and execute various project documents in relation to the Clydebank Change, and delegations relating to these are as set out in Appendix 1. The Board will be asked to confirm agreement to these delegations. Additionally, Appendix 1 sets out a number of formal matters which the Board are asked to recognise. These delegation and other matters within Appendix 1 are presented to the Board at the request of the Project funders, Nord, to ensure that matters relevant to Nord's due diligence are satisfied.

Key Issues to be considered

The Board approved the Full Business Case for Clydebank on 16th October 2018 and it was approved by SGHSCD Capital Investment Group on 13th November 2018.

In paper 18/47 16 October 2018, the Board were advised that due to a number of interdependencies at the Clydebank site, of which the Board had no control, the initial Design Build Finance and Maintain Agreement (“**DBFM Agreement**”) would comprise of Greenock and Stobhill, with a pre-agreed change mechanism to incorporate Clydebank (“**the Clydebank Change**”) once the interdependencies are resolved to a level at which the Board are comfortable to proceed. The Board proceeded to Financial Close for the project and the DBFM Agreement was signed in December 2018.

The Board issued a change notice under the DBFM Agreement on 3 June 2019, to trigger the process for the Clydebank Change.

The **FBC Addendum** reflects the updated Stage 2 submission in respect of the Clydebank Change and has been approved by the Project Board, the Board’s Capital Planning Group, and the Board’s CMT and Finance Planning & Performance Committee. The SGHSCD Capital Investment Group approved the FBC Addendum on 8th October 2019. A letter from Scottish Government confirming this approval is expected before the Board meeting on 22nd October 2019.

The Clydebank Health & Care Centre FBC Addendum is attached (Appendix 2) for information. Board members are advised that the versions of the FBC Addendum circulated, as made publicly available for the purposes of this meeting, have been redacted for reasons of commercial sensitivity. A full, unredacted, version is available for Board members upon request.

Any Patient Safety /Patient Experience Issues

These new facilities will improve significantly the quality of environment for patients and service users and facilitate more integrated and effective working across services.

Any Financial Implications from this Paper

The Greenock and Clydebank schemes – along with the Mental Health Ward 2 scheme – have been bundled to maximise the opportunity for efficiency.

An adjustment to the bundling strategy was developed to accommodate the delays to infrastructure works at Clydebank but retain the benefits of bundling. This approach was agreed with Scottish Government Capital Investment Group, and the resultant costs are matched by increased funding. There are no additional costs to the Board.

Any Staffing Implications from this Paper

The new facility will accommodate staff from existing facilities and staff transferring from other locations. The new health & care facility has been designed to accommodate agile staff working to promote effective working practices and maximize the efficient use of space. Staff partnership engagement within the HSCP will be undertaken to address any impact upon staff.

Any Equality Implications from this Paper

This new development will create opportunities to further improve access to services, in accordance with the equalities mainstreaming commitments of both the Board and also WDHSCP IJB.

Any Health Inequalities Implications from this Paper

This new development will contribute to social and economic regeneration so as to increase the life opportunities and health outcomes of those most vulnerable to experiencing inequalities, integrating the wider and common Community Planning Partnership aspirations of improved outcomes for the area.

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

The arrangements for managing risk and the risk register was detailed in full within the scheme's Full Business Case. This has remained under review and all significant risks have been appropriately mitigated.

Highlight the Corporate Plan priorities to which your paper relates

The proposal for this new health and care facility – and the integrated services that will work from them - are consistent with the five strategic priorities set out within the NHSGGC's Corporate Plan; and the priorities set out within the Strategic Plan for WDHSCP.

Author **Tom Steele**
Tel No **0141 211 0270**
Date **11th October 2019**

Appendix 1 – Clydebank – Funder Requests
Appendix 2 – Full Business Case Addendum

Appendix 1 – Hub Project (Clydebank) – Funder Requests

The Board has been asked by funders Nord to formally recognise a number of elements within its decision-making on the Hub projects. These requests are designed to ensure Nord can demonstrate the Board has provided formal approval for delegations to the Director of Finance and the Chief Executive, or their representatives, and formally notes its statutory and other powers to progress the projects.

The Board is requested to approve the following delegations, authorisations and request:

1. That delegated authority be granted to Jane Grant, Chief Executive and Mark White, Director of Finance, or their representatives to negotiate, agree (including changes to the parties to the Project Documents) and enter into (having considered the advice of the Board's external advisors) the various Project Documents and any additional documentation required in connection with the Project and/or the Clydebank Change. "Project Documents" for the purposes of these minutes shall be:
 - DBFM Amendment and Restatement Agreement to be entered into between (1) the Board and (2) Hub West Scotland Project Company (No.7) Limited ("**DBFM Co**");
 - Funders' Direct Agreement or amended and restated Funders' Direct Agreement to be entered into among (1) the Board (2) Norddeutsche Landesbank Girozentrale ("**Nord**") and (3) DBFM Co;
 - Contractor's Collateral Agreement or amended and restated Contractor's Collateral Agreement among (1) the Board (2) BAM Construction Limited (the "**Contractor**"); (3) DBFM Co; and (4) Nord;
 - Service Provider's Collateral Agreement or amended and restated Service Provider's Collateral Agreement among (1) the Board (2) DBFM Co (3) FES FM Limited and (4) Nord;
 - Designers Collateral Agreements or amended and restated Designers Collateral Agreements to be entered into among (1) the Board and (2) each of (one) Anderson Bell Christie Limited; (two) TUV SUD Limited (trading as Wallace Whittle); (three) Baker Hicks Limited; (four) Graven Images Limited; and (five) Harrison Stevens Limited;
 - Non-designer Collateral Agreements to be entered into among (1) the Board and (2) each of (one) Currie & Brown UK Limited; (two) Anderson Bell Christie Limited; and (three) Reid Associates LLP;
 - Independent Tester Contract or amended and restated Independent Tester Contract to be entered into among (1) the Board (2) DBFM Co (3) the Contractor (4) Nord; and (5) AA Projects Limited;
 - A Sub-contractor Consent Letter to be entered into among the Board and DBFM Co;
 - Insurance Proceeds Account Agreement or amended and restated Insurance Proceeds Account Agreement to be entered into among (1) the Board, (2) Lloyds Bank Plc (3) Nord; and (4) DBFM Co;
 - Amended and Restated Security Trust and Intercreditor Deed among (1) DBFM Co (2) DBFM Holdco (3) Scottish Futures Trust Investments Limited (4) the Board (5) HCF Investments Limited (6) Wellspring Partnership Limited (7)

OFFICIAL SENSITIVE

Wellspring SubDebt Limited (8) Community Solutions Management Services (Hub) Limited and (9) Nord (among others);

- Amended and Restated Noteholder Support Agreement among (1) DBFM Co (2) DBFM Holdco (3) Scottish Futures Trust Investments Limited (4) the Board (5) HCF Investments Limited (6) Wellspring Partnership Limited (7) Wellspring SubDebt Limited; and (8) Nord (among others);
 - any additional or ancillary documents in relation to the Project and/or the Clydebank Change to which the Board is required to be a party.
2. The Board has statutory powers to enter into the Project Documents. The Project Documents are calculated to facilitate and to procure facilities as incidental to the discharge of the Board's function as Health Board for the promotion of the improvement of the physical and mental health of the people of Scotland, and the statutory provision conferring this function is Section 2A of the National Health Service (Scotland) Act 1978 as modified by the National Health Service Reform (Scotland) Act 2004, as amended.
 3. The Board was satisfied that the Project and the Clydebank Change meets with its internal approvals, policies, procedures, constraints and requirements, including its current draft Scheme of Delegation and Standing Financial Instructions (notwithstanding that the Scheme of Delegation anticipates that such approvals shall be exercised by the Finance and Planning Committee on behalf of the Board);
 4. The Board confirmed that it had obtained all consents, authorisations and approvals necessary for their authorisation of the Project and the Clydebank Change to be effective and for the Project Documents to be enforceable against the Board all in accordance with its current draft Scheme of Delegation and Standing Financial Instructions (notwithstanding that the Scheme of Delegation anticipates that such authorisation shall be exercised by the Finance and Planning Committee on behalf of the Board);
 5. That Jane Grant, Chief Executive and Mark White, Director of Finance, or their representatives, be authorised to sign on behalf of the Board the Project Documents and any additional documentation required in connection with the Project as negotiated and agreed in accordance with 1, above.
 6. That Mark White, Director of Finance be authorised as the named individual on behalf of the Board for the purpose of the insurance proceeds account to be opened in terms of the DBFM Amendment and Restatement Agreement and the Insurance Proceeds Account Agreement (or Amended and Restated Insurance Proceeds Account Agreement).
 7. The Board is entitled to invest sub-debt in hub West Scotland Holdco (No. 7) Limited ("**DBFM Holdco**"). The Board intends to invest 10% of the additional sub-debt to be invested in DBFM HoldCo as part of the Clydebank Change. The final figure will be confirmed prior to financial close but investment for such additional sub-debt is not anticipated to exceed £200,000.
 8. That the Chairman be requested to produce a certified copy of the minute of the proceedings of the meeting as verification that approval has been granted.



West Dunbartonshire
Health & Social Care Partnership

Clydebank Health and Care Centre

Full Business Case Addendum



Transforming Care in Clydebank

September 2019

Overview

The new Clydebank Health & Care Centre formed part of a hub development bundle which includes Greenock Health & Care Centre and Stobhill Mental Health In-patient Wards. The FBCs for the bundle were approved by the Board at its meeting on 16th October 2018 and by Scottish Government on 21st November 2018. Clydebank was unable to progress to Financial Close with the other two projects in December 2018 due to its dependency on 3rd party infrastructure works which were still underway. It was agreed as part of the Clydebank FBC approval that it would be instructed into the bundle at a later date when there was sufficient certainty on those works. It was acknowledged that a pricing update would be required to account for inflation and an Addendum would be submitted for approval. The mechanism to complete this stage is known as the Clydebank Variation.

The Clydebank Variation was triggered on 3rd June 2019. All of the 3rd party works are in contract and progressing well towards completion. The key spine road and utilities are due to complete in September 2019.

Changes since FBC

The original FBC was developed as if Clydebank would go to Financial Close as part of the original bundle. Changes to the FBC, to allow the delayed inclusion of Clydebank, were agreed before Financial Close 1 (FC1) and were included in the DBFM agreement for Greenock & Stobhill.

Since the Clydebank Variation was triggered in June 2019 all of the work packages have been re-priced and re-submitted. It was agreed that the delayed start would result in an inflationary increase to pricing. The updated pricing has been submitted, reviewed by the Board and it's external advisers and confirmed as compliant and representing value for money. The cost increase is within the margins of the published rates shown for the period, in the BCIS indexes, which are the recognised measure of inflation by Scottish Government.

There is no increase to NHS revenue requirement.

Capital Costs

The Stage 2 price at Dec 2018 was £19,609,974, with £744,933 being drawn down at FC1 leaving a net price of £18,864,741. The updated capital cost is £19,625,389 represents an increase of £760,648. This is within the current BCIS indexes.

Financial Model

The key inputs and outputs of the financial model are detailed below:

Key inputs and outputs of financial model

Output	FBC- Sept 18	Addendum – Sept 19
Estimated Capital Expenditure (capex & development costs)	£19,250k	£19,625k
Estimated Total Annual Service Payment	████████	████████

The figures above are based on the funding terms agreed by NORD for the bundle. The current swap rate is at a historic low and to allow for potential volatility in the market, before financial close, a buffer of 100bps is included in the financial model. The financing requirement will be settled at financial close as part of the financial model optimisation.

Current finance assumptions

	£'000
Senior Debt	19,031
Sub debt (inc rolled up interest)	██████████
Equity	0
Total Funding	██████████

The financing requirement will be settled at financial close as part of the financial model optimisation process.

Subordinated debt

Our expectation is that subordinated debt will be provided in the following proportions: █████ private sector partners, █████ Hub Community Foundation, █████ NHS Greater Glasgow & Clyde and █████ Scottish Futures Trust investments.

The value of the required sub debt investment is as follows:

	NHSGGC	SFT	HCF Investments	hubCo	Total
Proportion of sub debt	████	████	████	████	████
£ sub debt	██████████	██████████	██████████	██████████	██████████

NHS Greater Glasgow & Clyde confirms that it has made provision for this investment within its capital programme.

It is assumed the sub-ordinated debt will be invested at financial close, and therefore there would be no senior debt bridging facility.

Senior Debt

The principal terms of the senior debt, which are included within the financial model, are as follows:

Senior debt

Metric	Terms
Margin during construction	██████████
Margin during operations	████████████████████
Arrangement fee	██████████
Commitment fee	██████████
Maximum gearing	██████████

Risks

The annual service payment will not be confirmed until financial close. The risk that this will vary due to changes in the funding market (funding terms or interest rates) sits with NHSGGC. This is mitigated by the funding mechanism for the Scottish Government revenue funding whereby Scottish Government's funding will vary depending on the funding package achieved at financial close.

Project Programme

Below is the agreed programme

Programme

Submission of FBC Addendum to Scottish Government CIG	Nov 2019
Financial Close	Nov 2019
Start on site	Dec 19/Jan 20
Completion date	April/May 2021
Services Commencement	July 2021