

# STATES OF JERSEY



## OUR HOSPITAL PROJECT: REPORTING (P.109/2022) – COMMENTS

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Presented to the States on 8th December 2022  
by the Council of Ministers

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STATES GREFFE

## COMMENTS

The necessity to deliver fit-for-purpose, high-quality and cost-effective healthcare facilities for Jersey is not in question. The Council of Ministers have made a commitment to deliver new facilities that are of suitable scale and value for Jersey, and to start the various phases of the new development within the term of this administration. We are grateful for the earlier work of Deputy Farnham and the Our Hospital team to develop proposals for a single site hospital facility at Overdale. Much of this work can be reworked and reused to deliver a hybrid, phased option, which will allow us to work at pace and without delay, especially given the Planning Approval for the Overdale site. However, the single-site Overdale scheme is no longer affordable or achievable in the budget and timeframe it was designed to meet.

The global economic conditions have been irreversibly changed by the impacts of the war in Ukraine, the increased costs of materials, labour shortages due to Covid and Brexit, and increasing levels of global currency inflation.

Both the Design and Delivery Partner, RokFCC, and the Our Hospital Project Cost Advisors have reviewed the impact of global economic position and determined that the current projected costs of the Overdale development will have increased by about £115million above the limit previously agreed by the Assembly, if the Government were to enter a substantive contract at the stage suggested in the Outline Business Case.

The Council of Ministers cannot accept the disproportionate financial risk that is presented by entering one single, significant value contract in these economic circumstances. Indeed, it is not only the single, large-scale financial commitment, but also the risk with respect to the high costs of borrowing for such a commitment, as a result of higher interest rates that the Council is unable to accept.

The impact of Covid-19 has meant that perhaps the Our Hospital project did not progress at the pace anticipated. The affordability and timing situation means the project is no longer feasible.

If adopted, this Proposition would require the Council of Ministers to direct the valuable resources of the project team towards the creation of additional financial and clinical analyses for a project that is already forecast to be overbudget, and to identify additional funding models that provide viability for that option. This analysis, in particular the running costs of the single site Hospital, was not undertaken as part of the Outline Business Case for the single-site Overdale site, and would require a significant amount of work that may result in regretted spend, if the current direction of travel is continued. If adopted, this Proposition would require the Government to undertake this additional work, rather than focusing on delivering appropriately phased and costed solutions for the Island.

As well as creating unnecessary practical delays to delivery, the Proposition would introduce an additional layer of approval by the States Assembly, outside the Government of Jersey project governance processes already in place. Processes that are based on best practice guidance from HM Treasury's Green Book guidance on appraisal and evaluation: the proposition promotes certain criteria rather than taking a holistic view.

Effectively, adopting this Proposition would tie the hands of the team from making progress on providing the Assembly with detailed financial and logistic proposals for a phased approach as recommended by the Our Hospital Project Review.

That Review, presented to the States Assembly as R.154/2022, provided advice to the Assembly about whether changes can be made to deliver a more affordable and appropriate alternative.

The Review concluded changes could be made to the project, most notably with respect to increasing affordability by reducing exposure to risk at any one point in time by delivering new healthcare facilities with a phased approach over two or more sites, including Overdale and areas of Kensington Place. In addition, such an approach would increase the resilience of healthcare delivery.

This phased approach would:

- mitigate against the risk of entering into one single, significant value contract. Instead, smaller work packages for smaller elements of the project could be commissioned at times when they were considered more affordable in their constituent parts. In turn, it was concluded that local construction firms could have greater opportunity for involvement in these smaller works packages, therefore better supporting the local economy.
- mitigate against the risk of exposing Jersey to high levels of debt at unfavourable rates of interest – an alternative financing model could allow phases to be financed in associated tranches. This would reduce exposure at any one point and enable the Government of Jersey to be opportunistic in taking advantage of moments to borrow where interest rates are more favourable. However, the financial model is not set. For example, the Minister for Treasury and Resources has identified other funding opportunities for the programme of work, such as income received above income forecasts and utilising underspends from other areas.
- reduce the degree of environmental or infrastructure impacts, when compared to a single-site scheme. Jersey has successfully operated multi-site healthcare for many years, in diverse locations and of an appropriate size for our Island. This will deliver a more appropriate service provision – to ensure that given our island context, the broad range of services delivered by Jersey’s Health and Community Services continue to be delivered safely on-island.
- deliver elements of the programme quicker - a phased solution means shorter construction times. As a result, some healthcare facilities, and where possible those most needing replacement, should be operational in a similar timeframe to the existing plans. This also means that if any given development encounters an issue or delay, others can still progress through to delivery and operation.

In addition, the Council of Ministers do not support the proposed Amendments brought by the Connétable of St Helier which would create more permutations for options to be worked up. The Connétable’s second Amendment asks the Assembly to direct the Government to explore the options ‘with or without’ the interventions to Westmount Road.

Although this Council of Ministers would seek to minimise any highways intervention to Westmount Road, it is currently not possible to definitively plan on the basis that no work will be undertaken. It is very likely that if no action is taken to improve the road, then no planning approval will be forthcoming.

Of course, the level of intervention required is proportionate to the scale of any development at Overdale, and by reducing the scale of the works in that area, a significant reduction in the level of changes to the work will be possible or make other solutions viable.

Work must now progress to plan for an appropriate split of services between sites. It is important to note that there is no intention to relocate the Jersey Bowling Club as part of any plans. Any plans going forward will minimise the impact on any existing dwellings.

This Amendment would effectively see the States Assembly acting as the planning authority, undermining the established processes in place to adjudge the adequacy of infrastructure, and creating dangerous precedent for the future – for both public and private developments – that these processes could be overridden.

The delivery of healthcare facilities should not be delayed by the unfeasible constraints. It is critical that we now allow the project team to continue with the essential work of providing the Assembly with detailed, costed, multi-site appraisals, in line with the findings of the Review.

### **Comment under Standing Order 37A**

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This comment was submitted after the noon deadline in order that final checks and due diligence could be undertaken, given the extensive number of Amendments to which due consideration was needed. We apologise to Members for this delay.

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