

<b>Meeting:</b>	<b>Grampian NHS Board Meeting</b>
<b>Meeting date:</b>	<b>7 April 2022</b>
<b>Item Number:</b>	<b>5</b>
<b>Title:</b>	<b>Baird and ANCHOR Project Update</b>
<b>Responsible Executive/Non-Executive:</b>	<b>Alan Gray – Senior Responsible Officer (Baird Family Hospital and ANCHOR Centre Project)</b>
<b>Report Author:</b>	<b>Julie Anderson – Deputy Project Director/Finance Manager</b>

## 1 Purpose

This is presented to the Board to:

- **Approve** the appointment of the Director of Facilities and eHealth as the Senior Responsible Officer (SRO)
- **Approve** the compensation event value of £1.938 million relating to the room component and environmental matrix design changes and note the impact on the project programme
- **Note** the ongoing validation and assessment of abnormal market pressures, the review of the project budget (including the risk provision)
- **Note** the revised programme for delivery of both projects.

**This aligns to the following NHS Scotland quality ambitions:**

- Safe
- Effective
- Person Centred

## **2 Report summary**

### **2.1 Situation**

The construction programme for the Baird Family Hospital and The ANCHOR Centre commenced in January 2021. This paper confirms progress and arrangements in place to manage the project delivery programme, inclusive of the Senior Responsible Officer (SRO) arrangements. The construction project is eighteen months into delivery and making good progress, despite the challenges related to COVID, market conditions, availability of materials and labour supply

The project team and its advisors are working collaboratively with the contractor, Scottish Government and Health Facilities Scotland (HFS) to confirm the impact of abnormal market conditions on the project delivery and explore options for managing these risks.

### **2.2 Background**

Both of the new facilities and the associated service redesign are consistent with our strategic themes, delivering the following high level benefits:-

- improvements in patient experience and environment (person centred),
- improved access, quality and efficiency of service delivery (effective),
- reduction in the level. of backlog risks (safe),
- supports the key strategic commitment in relation to delivering the Maternity Services Strategy approved by this Board in 2010

The Baird Family Hospital will be a new purpose built hospital which will provide maternity, gynaecology, breast screening and breast surgery services. It will also include a neonatal unit, centre for reproductive medicine, an operating theatre suite, community maternity unit and research and teaching facilities. The services provided in the new facility will benefit patients and their families across the North of Scotland and forms part of a wider programme of investment in maternity facilities across Grampian, including Dr Gray's Hospital and the community maternity units at Inverurie and Peterhead. One example of the service redesign within the Baird Family Hospital will be enhanced transitional care which will provide a family orientated environment to ensure a smooth transition to discharge home from the neonatal unit for sick or preterm babies who have spent time in a neonatal unit, often at some considerable distance from home.

The ANCHOR Centre will be the next significant phase in the development of services for haematology and oncology patients, creating much needed purpose built day and out-patient treatment and support accommodation space. This new purpose built facility will be called The ANCHOR Centre. Following approval of the Full Business Case (FBC) by the NHS Grampian Board and the Scottish Government Capital Investment Group (CIG) in September 2020, the construction contract for the Baird and ANCHOR Project was entered into in October 2020.

Prior to the entering into the formal agreement to move to the construction phase an independent design assurance was commissioned by NHS Scotland Assure. This comprehensive review covered the key design elements of the project and was in addition to the existing NHS Scotland National Design Assessment Process and Gateway Reviews undertaken on major projects within NHS Scotland.

The next stage of this independent assurance process are two construction stage reviews for each facility. The independent assurance process includes learning from the Queen Elizabeth University Hospital and new Edinburgh Royal Hospital for Children and Young People projects.

Regular stakeholder engagement continues to ensure that the new facilities reflect need and expectations. An Executive Service Redesign Group chaired by the Acute Director of Nursing & Midwifery oversees the planning for the commissioning of the new facilities and to secure the service and patient benefits planned for.

Service redesign has been a key workstream since 2016 when clinical briefs for all of the Baird and ANCHOR specialities were agreed. The principles of redesigning in advance of occupation of the buildings, where possible, has been positively engaged with by service colleagues and clinicians who have led the required redesign activities. A significant proportion of the required service redesign is already underway or well embedded in current clinical practice.

Revision to project resource arrangements set out in this report will support robust project delivery. The changes associated with the contract variation will support the effective and efficient service delivery in the new facilities.

A space to provide MRI facilities is a feature of the Baird Family Hospital and the business case to confirm arrangements will be completed following the development of the Radiology Strategy which will be whole system and phased in development, starting with MRI, CT and Plain Film modalities to cover the timescale 2022- 2037. An outline of the scope of the strategy is set out in Appendix A.

## **2.3 Assessment**

### **Senior Responsible Officer**

The governance and management arrangements were set out and agreed by the Board as part of the Full Business Case. The delivery of the project is overseen by the Project Board, with regular monthly reports to the Asset Management Group and to each of the Performance Governance Committee meetings.

A new Senior Responsible Officer (SRO) requires to be appointed for the project following the planned departure of the existing SRO, who is the Board Director of Finance. The Director of Finance leaves the Board on 31 March 2021 to take up a new role within NHS Scotland. The Director of Facilities and eHealth, has been identified as a suitable replacement having the experience and competencies set out in applicable guidance for Senior Responsible Officers. The role is accountable for ensuring a project meets its objectives, delivers the projected outcomes and realises the required benefits. The Board are requested to formally endorse the appointment of the Director of Facilities and eHealth as the SRO for both projects.

## **Overview of design and construction quality**

Quality in construction is an integral aspect of the delivery of both projects. The project has an approved Quality Plan which sets out the quality management arrangements for the contractor and their supply chain.

The principal supply chain partner's management and supervisory structure and the NHS Grampian team comprising in-house and externally sourced Technical Supervisors and Clerk of Works undertake regular site visits and inspections to be assured on the quality of work being delivered. The record and outcome of each site visit is formally recorded within a shared quality management system, which ensures that all observations and actions require remedy can be tracked and reported. The NHS Grampian technical team prepare weekly reports which are issued to the senior NHS Grampian managers on the project, detailing progress on site along with any construction quality and health and safety issues which require resolution.

Formal quality meetings are held monthly between NHS Grampian and Graham Construction (the principal supply chain partner) to review general progress, lessons learned and to ensure follow up and resolution of quality issues.

Quality in design is also integral to the delivery of both projects. The innovative design concept for the project was developed following a significant period of consultation with all clinical groups, patients and the general public.

Design review includes the appropriate technical officers, external experts and clinical stakeholders who are involved in the development of these facilities. The design development and review process includes response to the findings of the independent design assurance review undertaken prior to Full Business Case approval.

Additionally the Project will be subject to further Independent Assurance Reviews during the construction and commissioning phases of the Project and the first of these in relation to ANCHOR is about to start and positive engagement has commenced.

### **Design development changes**

Design requirements to ensure all essential clinical, functional and technical requirement have subject to review during Stage 4 of the project. Further changes have been confirmed and require a contract variation to contract value and programme to conclude, these relate to:

#### **(i) Component Schedules**

Detailed room data sheets set out the components (items of equipment and fittings) required in each of the new facilities. Following final review of these further changes to the component schedules have been instructed to ensure functional and clinical suitability & safety of the rooms. These are now incorporated in the final design.

## (ii) **Environmental Matrix**

Following review the environmental matrix has been updated to (i) reflect the stakeholder requirements from room data sheets (ii) confirm consistency across room types and the facilities which conform to the Board Construction Requirements and (iii) ensure compliance with technical standards (SHTM - Scottish Health Technical Memorandum and SHPN – Scottish Health Protection Network).

The work to finalise the environmental matrix and component schedule requirements within the brief had not been concluded when the construction contract was entered into in October 2020.

These requirements have now been confirmed and instructed and a variation in contract value requires approval by the Board. The variation has been subject to detailed Project Board reporting and scrutiny and they are supportive of this recommendation.

The impact has been assessed by the project's external advisors as: impact on the contract value inclusive of VAT is £1.938 million and a project programme impact on Baird of 84 days and ANCHOR of 95 days.

The Board are asked to approve this design change and the compensation event value of £1.938 million and note the impact on the project programme. This compensation event will be covered by the risk provision made within the full business case for the projects. However, as noted below, this will fully utilise the risk provision and steps are being to re-assess any further risks which may arise during the remaining period of the project.

## **Project Cost**

The capital investment requirement is reflected in the NHS Grampian Infrastructure Plan and is being funded by additional capital allocation from the Scottish Government.

The construction costs forecast is in the process of being updated based on expected contractual commitments at this stage. The contract payments to the PSCP are based on actual costs incurred and the contract includes a clause which incentivises (gain share) for the delivery below the contract value.

The overall project forecast includes risk provisions (£5.2 million) to address risks as they arise. Following approval of the contract variation set out in this report this risk provision is expected to be largely committed and an uplift may be required to address potential further design changes or risks in the remaining period of the project. To mitigate the impact of future changes the project team are undertaking a comprehensive review of the uncommitted budget to minimise this risk.

Financial pressures continue to impact on the project emerging from the COVID 19 pandemic, current market pressures in relation to material shortages and inflation and other geopolitical issues are being experienced across the construction industry, as well as the requirement to address more general project risks as they arise.

In common with the wider construction sector the contractor has reported challenges in relation to material shortages, price increases and labour shortages. The reasons include, for example, demand, global regulation, BREXIT and impact of COVID pandemic. These abnormal market conditions are recognised as not being foreseeable at the stage of entering into the Stage 4 contract in October 2020.

As part of a collaborative process to understand these cost pressures the PSCP has provided information to NHS Grampian and their advisors which is going through a process of validation. Additionally, dialogue with Health Facilities Scotland and Scottish Government are ongoing to determine an appropriate mechanism to address these abnormal market events.

The planned recurring revenue costs in the first full year of operation (2024/25) is anticipated to be £9.7million as reported in the Full Business Case and has been incorporated into the Board’s financial planning for that period.

### **Programme**

The programme for bringing the facilities into operation has been updated to reflect changes to accommodate the client changes to design and the impact on the contractors’ programme due to the market, supply chain and labour issues that have presented to date. The revised dates are set out in the table below.

<b>Construction Milestone</b>	<b>Revised dates</b>
Bring into Operation - ANCHOR	August 2023
Bring into Operation - Baird	March 2024
AMH Demolition	Aug 2024

### **Risk Assessment and management**

Risk management procedures are an integral feature of the project with a comprehensive risk register maintained monthly by all parties, weekly risk reductions meetings and regular reporting of key risks to the Project Board. Those risks that are currently categorised as red risks, and therefore of greatest concern in relation to the delivery of the Project are:

- Market conditions, impacted by geopolitical issues, within the construction industry are creating a risk to programme and costs due to ongoing material shortages and lead times and inflation. Work is ongoing with the contractor and its supply chain to confirm and manage current circumstances.
- Capacity of experienced and expert resources to respond to programme which will now have design and commissioning activities running in parallel – the Project Director has confirmed with the Project Board and Project Team temporary arrangements to enhance project team capacity and is being explored further.
- Design review and assurance activities ensure technical compliance and

functional suitability at this stage can impact on programme and cost. A robust change control arrangement is in place to ensure only essential changes are instructed.

- COVID 19 impact on construction programme continues to be closely monitored and the impact of this risk is reducing.
- Clinical and service workforce being in place to successfully realise the benefits of the new facilities – work is ongoing to confirm resource transfer and develop and implement workforce and training plans. Additionally, whilst the organisation addresses recovery from the pandemic it is recognised the availability of operational staff to engage in preparation for the new facilities will be challenging and options to mitigate this risk are being developed.

### **Equality and Diversity, including health inequalities**

The project undertook a Health Inequalities Impact Checklist in February 2018 as part of the Outline Business Case. This piece of work was commended by the Public Health Team.

This work demonstrated that these new facilities will provide opportunities to engage more with vulnerable or disadvantaged groups than is the case in existing facilities e.g. single room accommodation, increased space for families to be together, Transitional Care in the Baird which will help support vulnerable families, teenager and young adult provision in The ANCHOR Centre etc.

### **Other impacts**

No other relevant impacts to note at this stage.

### **Communication, involvement, engagement and consultation**

The project has a very active communication work stream which has been in place since 2015 when engagement with patients and staff commenced. The project team has dedicated input from a Consultation and Engagement Advisor. This is in addition to communication being a significant feature in the work undertaken by senior project team personnel.

### **Route to the Meeting**

Project performance is reported regularly at the monthly Project Board and Asset Management Group meetings. A report from the Project Director and Senior Responsible Officer is provided at each Performance Governance Committee. The content of this report is consistent with the most recent Project Director Reports.

## Recommendations

The Board is asked to

- **Approve** the appointment of the Director of Facilities and eHealth as the Senior Reporting Officer (SRO)
- **Approve** the compensation event value of £1.938 million relating to the room component and environmental matrix design changes and note the impact on the project programme
- **Note** the ongoing validation and assessment of abnormal market pressures, the review of the project budget (including the risk provision)
- **Note** the revised programme for delivery of both projects.

**Future reporting** – a further report be brought back to the August 2022 Board meeting; and quarterly thereafter through the life of the project.



## **Appendix A: Outline of Radiology Strategy**

The NHS Grampian Asset Management Group has agreed to develop a Radiology Strategy (Phase 1) which will be whole system and phased in development, starting with MRI, CT and Plain Film modalities to cover the timescale 2022- 2037.

This strategy will confirm the clinical need using current activity and demand modelling data, workforce planning using current staffing position and evolving requirements and take account of the existing infrastructure in place and timescales associated with replacement change, the role and impact of Realistic Medicine, and include any future additionality opportunities resultant from other Scottish Government funded projects such as the National Treatment Centre developments. The strategy will ensure strategic objectives around clinical service are explored in full sight of operational service approaches and will fit with the wider NHS Grampian's Plan for the Future 2022-2028.

The development of the Radiology Strategy will have the oversight and involvement from clinically led groups, such as the MRI Focus Group, the CT Modality Group and the Plain Film Modality Group. It is the intention that the Radiology Strategy will provide the necessary context and framework, and be a crucial supporting document for any business case submitted to NHSG Board thereafter.

The Radiology Strategy on MRI, CT and Plain Film modalities will be developed for consultation and following completion and approval by the NHS Grampian Board.

It will be reviewed on an annual basis to ensure it remains a valid strategy paper which supports the clinical service plans.

Upon completion of this aspect of the Radiology Strategy (Phase 1), work will progress on identifying the next three modalities to be developed for inclusion.