



An Roinn Caiteachais
Phoiblí agus Athchóirithe
Department of Public
Expenditure and Reform



Tionscadal Éireann
Project Ireland
2040

MPAG Review Note

Cork & Galway Elective Care Centres

Preliminary Business Cases

Date

17 November 2022

Sponsoring Agency

Health Service Executive

Approving Authority

Government

Day-to-day Approving Authority

Department of Health

Note

The purpose of the Major Projects Advisory Group is to support the application of the Public Spending Code and consider major public investment proposals (in particular in relation to costs, scheduling, delivery and risk) in advance of Government Decision.

Documents Considered for Review

20220927 Elective Care Provision Programme Business Case (Final) (002)

20220927 Cork ECC Project Preliminary Business Case (Final)

20220927 DoH External Assurance Review Proposed Cork Elective Care Centre v6

20221006_Galway_ECC_Project_Preliminary_Business_Case

20220927_DoH_External_Assurance_Review_Proposed_Galway_Elective_Care_Centre_v3

Copy of Appendix A - Site Compliance Assessment (Cork)

20221006_Appendix_A_-_Site_Compliance_Assessment_(Galway)

Copy of Appendix E - Capital Build Costs Calculations

Copy of Appendix E - Staff Costs Calculations

20200219_EY-Elective_Hospitals_Service_Model_Development_-_Final_Report

20210601_KJA_Appendix_A_-_Architects_Drawings

20210601_Matserplanning_Report_on_Site_selection_-_
_Sites_for_new_Elective_Hospitals_at_Dublin_Cork_and_Galway

20210622_Cunnane_Stratton_Reynolds_-_
_Elective_Hospital_Site_Selection,_Shortlisted_Sites

20210702_Letter_from_Saolta_University_Health_Care_Group_-_Galway

20210702_Letter_from_South_and_South_West_Hospital_Group_-_Cork

20221108_Response_to_MPAG_Final

Date Received by MPAG

6 October 2022

Date of MPAG Meeting

10 November 2022

Date of MPAG Return

17 November 2022

Main Findings and Recommendations

Main Issues of Concern

1. The emerging preferred sites for the Cork and Galway Elective Care Centres have yet to be formally confirmed with local stakeholders. The documentation is clear that the preferred sites are 'subject to due diligence' which may identify substantial residual risks, particularly as the preliminary selection process involved only high level qualitative analysis. Unless a formal agreement on the use of the sites is in place between local stakeholders and the Sponsoring Agency, a Government decision to approve the current proposed sites in Cork and Galway increases risks around unforeseen costs and delays delivering the Elective Care Centres.
2. The process used to determine the proposed sites for the Elective Centres in Cork and Galway may not pass scrutiny once the projects are submitted for planning permission. Proposed locations for the Elective Care Centres have been examined using a set of qualitative criteria with no obvious weighting to criticality. More detailed analysis for each site including analysis of potential wider impacts and constraints of local infrastructure and utilities is needed to mitigate against planning risks and ensure the projects are not delayed in the planning process.
3. There is considerable uncertainty around cost forecasts for both the Cork and Galway Elective Care Centres due to lack of design maturity. Due to the lack of a preliminary design for each facility and lack of detail on costs associated with specific enabling works at each site such as utilities, it is unclear how robust the existing cost forecasts are at this stage of the work. Early cost forecasts are inherently challenging, due to the nature, scale and complexity of these projects. A lack of data from incomplete designs, scoping and investigation adds to this challenge.
4. Given the level of design maturity for both projects, the envisioned delivery timescales are considered very challenging and have a high risk of not being achieved. There is limited assurance presented in the business cases that suggests the envisioned 2027 opening date for both facilities is reflective of specific physical and operational conditions present at the proposed sites, particularly in the case of the Cork site.

Positive Aspects of the Proposal

5. The overall programme rationale and objectives are supported by the business case. The need for the separation of elective care from unscheduled care is understood. It is also noted that the proposed facilities will help establish new models of care that align with the Sláintecare strategy.

Key Recommendations

6. Both the preliminary business cases for Cork and Galway lack important elements normally expected at this stage of the PSC project lifecycle including confirmation of sites, preliminary designs, and a procurement strategy aligned to scope and risk model. Given these issues and the respective risks arising, it is imperative that both these proposals receive appropriate review and scrutiny through external reviews and an MPAG review at Decision Gate 2 if approved in principle at this point by Government at Decision Gate 1.
7. It is imperative that the local project teams identified in the Preliminary Business Case be established as soon as possible. These teams should:
 - a. Have experience of delivery of successful, quality outcomes on comparable projects.
 - b. Be given the authority to best plan out the developments in their locations, including doing due diligence on the site selection and ensuring that the ultimate siting is consistent with the project requirements and has the required degree of stakeholder confidence (functional, planning, operational including access for patients and staff).
 - c. Consist of high quality and technically able individuals with project leadership experience and proven expertise across the required disciplines and with reference to the scale of the work.
 - d. Work with local stakeholders and lead the public consultation process to meet the likely planning requirements and broader stakeholder considerations.
 - e. Recruit an environmental assessment team to support the site selection process and prepare the environmental reports required within the planning application process.
 - f. Have the necessary authority and accountability for meeting the objectives of approved budgets, schedule and priorities for the project.
 - g. Ensure alignment with central Government requirements and work to the other Elective Care locations to ensure uniformity, standardisation and adoption of sustainable building practices across the programme.
8. Further work would need to be done at a central and regional level to assess the maturity of the market for developing Elective Care facilities. Lessons should be learned from international experiences of delivering Elective Care facilities in recent years.

1. Background

- 1.1 The Enhanced Provision of Elective Care is a programmatic proposal for establishing a national network of dedicated Elective Care Centres in Cork, Dublin and Galway. Location specific business cases have been prepared which outline the rationale, options and appraisals for Cork and Galway. Business case material for the Dublin Elective Care Centre proposal has not been finalised and therefore has not been considered as part of this MPAG review. The key outputs of the Cork and Galway proposals are:
- Purpose built Elective Care facility on the emerging preferred site at St Stephen's hospital campus in Sarsfield, Cork.
 - Purpose built Elective Care facility on the emerging preferred site at Merlin Park University Hospital campus, Galway.
- 1.2 The Health Service Executive (HSE) is acting as Sponsoring Agency for the programme and will be responsible for the delivery of the programme including the proposed Elective Care Centres in Cork and Galway.
- 1.3 The stated estimated budget to cover the initial capital and upfront costs for the Cork Elective Care Centre and Galway Elective Care Centre is €687m and €594m respectively. The forecasted Net Present Cost after 25 years for the Cork and Galway Elective Care Centres, which include operational costs, are €1.8bn and €1.6bn respectively.
- 1.4 The central Benefit-Cost Ratio (BCR) for the preferred Elective Care Centre options in Cork and Galway are 0.46 and 0.59 respectively. The highest BCR achieved by the preferred option for the Galway Elective Care Centre in scenario analysis is 0.71. The equivalent figure for the preferred option for the Cork Elective Care Centre is 0.3 although it is unclear this is correct given that it is lower than the central BCR for the same option. If assessed solely using quantitative economic appraisal, without reference to the social benefits, both the preferred options for the Cork and Galway Elective Care Centres fail to demonstrate value for money.
- 1.5 It is envisioned that both the Cork and Galway Elective Care Centres will be opened in 2027 with limited operating capability and will be fully operational by the end of 2028.
- 1.6 The key outcomes for the proposed programme of investment in Cork and Galway include:
- Capacity for 180,000 elective procedures, treatments and diagnostics per annum in Cork with a daily patient throughput of 600.
 - Capacity for 175,500 elective procedures, treatments and diagnostics per annum in Galway with a daily patient throughput of 585.

- Reduced demand for services across the different hospitals located in Regional Health Areas D and F1.
- 1.7 The Sponsoring Agency is seeking Decision Gate 1 approval from Government for the Preliminary Business Cases for both the Cork and Galway Elective Care Centre projects. This will allow the Sponsoring Agency to begin submitting relevant elements for Decision Gate 2 for both the Cork and Galway Elective Care Centre projects.

2. Case for Change

Investment Rationale

- 2.1 **The overall programme rationale and objectives are supported by the business cases.** The need for the separation of Elective Care from unscheduled care is understood. It is also noted that the proposed facilities will help establish new models of care that align with the Sláintecare strategy.
- 2.2 **The rationale outlined in the business cases does not sufficiently support the preferred options for Cork and Galway at the project level.** The Sponsoring agency must ensure that the rationale and related evidence which underpins the decision to pursue new Elective Care facilities at St Stephens Hospital and Merlin Park is clearly presented within business case documentation. This should include relevant international evidence and a more detailed outline as to why refurbishment or expansion options are not feasible in Cork and Galway.

Objectives

- 2.3 **SMART objectives specific to each project need to be examined and if necessary set out in the business cases.** These objectives are required to inform planned KPIs and provide the basis for ex-post evaluation of each project.

Options

- 2.4 **There is a lack of detail regarding alternative options assessed including the options to repurpose or extend existing facilities.** The business cases do not outline which other public health facilities were considered under these options as well as perspective costs and benefits. It has been noted that the high-level BCRs for the repurpose and extend options presented in both the Cork and Galway business cases likely understate the potential costs involved, particularly adaption and disruption costs.

¹ The six new Regional Health Areas (RHAs) are in line with recommendations made in the Oireachtas Committee on the Future of Healthcare Sláintecare Report (2017), that regional bodies should be responsible for the planning and delivery of integrated health and social care services. Further information can be found at <https://www.gov.ie/en/publication/4eda4-slaintecare-regional-health-areas-rhas/>

- 2.5 **The site identification process may not have identified all feasible sites for the construction of Elective Care facilities.** The Sponsoring Agency did not allow for clarifications on submissions of potential sites and there are concerns that the overall process was not given sufficient time. It has been noted that offering incomplete site submissions a chance to clarify missing or incomplete information would have disadvantaged compliant submissions. However, this may have resulted in potentially feasible sites not being considered and calls into question the overall objective of the public call for site submissions i.e. to identify as many feasible sites for Elective Care Centres as possible. An associated risk is that the desktop analysis of the sites submitted to the sponsoring agency for consideration was not sufficiently in depth to identify potential difficulties with those sites e.g. transport access, drainage or other complexities.

Lessons Learned

- 2.6 **It is imperative that lessons learned from the National Children’s Hospital and the recommendation of the PWC Review of Escalation in the NCH Costs² are fully incorporated into the planning and management of each Elective Care centre project.** Business case documentation should clearly evidence that relevant learnings from the NCH project have been considered and incorporated in key areas of each project’s development including governance, procurement and cost forecasts. A review of lessons learned from best and worst performing projects, case studies of modern and sustainable methods of construction, challenges and opportunities for reducing hospital construction risk and strengthening risk management would be useful in the development of the projects as they approach Decision Gate 2.

3. Value for Money

Economic Appraisal

- 3.1 **The counterfactual do-minimum option is considered underdeveloped.** The counterfactual option does not address the potential disbenefits and wider costs of not delivering additional Elective Care capacity in the public health system. As a result, the merits of the preferred options of new Elective Care facilities in both Cork and Galway are likely understated. It is recommended that the Sponsoring Agency examine the counterfactual and potential disbenefits of a do-minimum approach in more detail.
- 3.2 **Qualitative benefits need to be emphasised more in the business cases.** Due to the low quantitative benefits and respective BCRs for both the proposed Cork and Galway Elective Care Centres, there is a need for greater emphasis on those benefits which can’t be easily monetised such as patient experience within the business cases. Both the Cork and Galway business cases also need to examine impacts that are specific to the local or regional area in more detail.

² https://merrionstreet.ie/merrionstreet/en/news-room/releases/20190409_nch_report.pdf

Financial Appraisal and Affordability

- 3.3 **Further detail on the Elective Care Centre programme's funding priorities is required.** It is unclear how the programme and its funding requirements sit within the wider investment priorities of the public health system. More detail on the Elective Care programme's affordability and funding requirements relative to the wider public health capital investments requirements would be beneficial to include in the next stage of the programme's development.
- 3.4 **It is unclear how the funding allocation for the programme is to be managed.** It is not evident from the business cases examined how the Elective Care programme's funding allocation is to be managed and how issues such as cost overruns in one project will impact the funding for other projects within the programme. These issues and potential risks should be addressed in future iterations of the programme and project level business cases.
- 3.5 **Further consideration of revenue generation should be examined as part of the financial appraisal.** The Sponsoring Agency should examine the potential revenues that might be generated by the Cork and Galway Elective Care Centres through revenue streams such as car parking charges.

4. Feasibility

Cost Forecast

- 4.1 **Due to a lack of design maturity, there is considerable uncertainty around cost forecasts for both the Cork and Galway Elective Care Centres.** Cost estimates for new build options are based on notional functional scope and lack design definition, while estimates for other options (extend, re-purpose) are purely based on pro-rata costs, ignoring likely large-scale costs of adaptation. Due to the lack of a preliminary design for each facility and lack of detail on costs associated with specific enabling works at each site such as utilities, it is unclear how robust the existing cost forecasts are at this stage of the work. The Sponsoring Agency must complete preliminary designs for each project and identify costs associated with required enabling works at each site in order for a more robust cost estimate to be established for the Cork and Galway projects. Early cost forecasts are inherently challenging, due to the nature, scale and complexity of these projects. A lack of data from incomplete designs, scoping and investigation adds to this challenge.
- 4.2 **Further detail on the cost benchmarking undertaken should be included in the business cases and updated as required as the projects are developed.** This should include relevant benchmarking against the cost of other Elective Care facilities and other comparable projects in Ireland, Elective Care facilities elsewhere and the costs for other important components of the proposed Cork and Galway facilities such as the ICT systems. It is acknowledged that supplemental information provided indicated that the cost per square metre estimates are in line with UK comparators, and appear to be consistent with at least one other planned healthcare facility in Ireland.

- 4.3 **It is unclear how appropriate the optimism bias rate and cost contingency level used in the cost forecasting is in an Irish context.** The optimism bias rates used in the analysis are derived from the UK Greenbook with a general 10% cost contingency also included. However, the use of UK rates raises questions of robustness given that a more mature market for delivering Elective Care facilities exists in the UK. The evidence from Irish healthcare projects outlined in an IGEES spending review paper also suggests that cost overruns and variances in estimates versus final outturn costs are greater than the proposed levels of contingency being included in the cost estimates for the Cork and Galway Elective Care centres. It is recommended that additional sensitivity and scenario analysis be conducted to establish a more robust cost forecast which factors in alternative optimism bias rates, contingencies and evidence from the IGEES spending review paper. For projects of this scale, Quantitative Risk Analysis (QRA) and Reference Class Forecasting techniques should be used for cost forecasting, including expert judgement, to determine the appropriate risk and contingency uplifts in developing the preliminary cost forecast consistent with the risk appetite of the decision-makers.
- 4.4 **Forecasts must be debiased and must use the best available data. They should also reflect the risk appetite of the decision-makers.** For the next iteration of the business case, it is recommended that the Sponsoring Agency and Approving Authority use Reference Class Forecasting to systematically take an 'outside view' on planned actions when developing the cost forecast. The method is used to make empirically based adjustments to estimates to counter bias and error. These adjustments should be based on data from past projects or similar projects elsewhere and calibrated for the project's unique characteristics. This methodology will assist in setting more realistic forecasts based on all risks from a dataset of past comparable projects rather than reliance on UK optimism bias uplifts. The risk of cost overrun can be expressed using a range of confidence levels such as P50, P80 and P90 (the P80 indicates an 80 per cent certainty of staying within budget and 20 per cent risk of going over). The required confidence level, or P-value, is an expression of risk appetite, reflecting the decision-maker's willingness to make investments with uncertain outcomes. Armed with both 'inside view' and 'outside view' derived forecasts, the Sponsor can apply expert judgement in determining the appropriate risk and contingency uplifts in developing a robust preliminary cost forecast consistent with the risk appetite of the decision-makers. Expressing the cost forecast as a range of confidence levels such as P50, P80 and P90 (best case, most likely case and the worst case) rather than a single point forecast captures the reality of uncertainty.
- 4.5 **Quantitative Risk Analysis should be used to help inform the potential costs and the confidence attached to cost estimates should be indicated using a probabilistic cost forecast (e.g. p50, p80, p90).** For the next iteration of the business case, it is recommended that QRA be conducted to help inform the cost contingencies for the proposed Cork and Galway Elective Care Centres. It is important that such analysis factors in location-specific risks. While there are limitations of QRA as an 'inside view' of risk, the use of alternative forecasting methodologies such as reference class forecasting using the best available data

from past comparable projects will serve to counter these limitations and provide a 'sense check'.

- 4.6 **Scope management will influence the eventual costs for the programme.** Any deviation from the current proposed scope of the facilities will result in additional costs. It is important that the Sponsoring Agency and project teams be disciplined in the management of scope for the Cork and Galway Elective Care Centres for cost control purposes.

Schedule

- 4.7 **Given the level of design maturity for both projects, the envisioned delivery timescales are considered very challenging and have a high risk of not being achieved.** There is limited assurance presented in the business cases that suggests the envisioned 2027 opening date for both facilities is reflective of specific physical and operational conditions present at the proposed sites, particularly in the case of the Cork site. Noting that sites for both the Cork and Galway Elective Care Centres are indicative only and have yet to be formally selected, it is unclear if important and time consuming processes such as the required environmental assessments have begun.

Risk

- 4.8 **Both business cases failed to specify location specific risks.** The Sponsoring Agency must conduct a rigorous risk analysis for each project that factors in site specific and local risks in addition to risks at a programme level. Rigorous risk analysis and risk management is a critical element of good project management and must be undertaken to mitigate against potential issues that might arise in delivering additional Elective Care capacity in Cork and Galway.
- 4.9 **There is a real risk that the technical and clinical paths are more inclined to diverge rather than converge if governance is not clear.** The discussion at the MPAG meeting on the 10th November made clear that the investment outcomes are derived from clinical delivery (number of cases treated), yet the development of each site is founded on technical delivery (enabling works, utilities, transportation and accessibility). All technical outcomes are to be achieved using supply chain resources.
- 4.10 **The proposal may face significant stakeholder related risks.** The programme for Elective Care Centres intends to significantly change how Elective Care procedures are delivered within the public health system. As a result, there is a significant change management element within the overall programme and at the local project level. The Sponsoring Agency should carry out a comprehensive project risk assessment, identifying the potential risks and dependencies, including local political and organisational risks, and potential mitigation actions associated with the change management processes that will need to take place to facilitate the successful operation of the proposed Elective Care Centres.

- 4.11 **Staffing and other implementation risks need to be considered in more detail.** There is a real risk given existing staffing issues that if the facilities are delivered, required staffing levels will not be sufficient to deliver the full scope of services envisioned. Clarity regarding the nature of staffing ring fencing versus permitting HSE staff to work part time at the centres, for instance, would be beneficial. Staffing is also specified as a matter for the project team to address locally. However, this does not appear a realistic approach to recruiting the staff required for the facilities. The business cases for Cork and Galway should provide more detail in the next stage of the project lifecycle on the staffing plan for these proposed Elective Care Centres including the bodies responsible for recruitment and potential contractual arrangements required. Other implementation and operational risks such as integrating ICT systems also need to be examined in more detail.

5. Implementation

Governance and Assurance Framework

- 5.1 **It is imperative that the local project teams identified in the Preliminary Business Case be established as soon as possible.** These teams should:
- a. Have experience of delivery of successful, quality outcomes on comparable projects.
 - b. Be given the authority to best plan out the developments in their locations, including doing due diligence on the site selection and ensuring that the ultimate siting is consistent with the project requirements and has the required degree of stakeholder confidence (functional, planning, operational including access for patients and staff).
 - c. Consist of high-quality and technically able individuals with project leadership, experience and proven expertise across the required disciplines and with reference to the scale of the work.
 - d. Work with local stakeholders and lead the public consultation process to meet the likely planning requirements and broader stakeholder considerations.
 - e. Recruit an environmental assessment team to support the site selection process and prepare the required environmental reports required within the planning application process.
 - f. Have the necessary authority over and accountability for meeting the objectives of approved budgets, schedule and priorities for the project.
 - g. Ensure alignment with central Government requirements and work to the other Elective Care locations to ensure uniformity, standardisation and adoption of sustainable building practices across the programme.

- 5.2 **Clear governance arrangements need to be established.** The level of responsibility and decision making that will be delegated to the project teams must be outlined, particularly in the context where decisions over the sites of the proposed Cork and Galway Elective Care centres need to be confirmed. Further detail on reporting arrangements and items such as cost management need to be provided at the next Decision Gate.
- 5.3 **Both the Cork and Galway Elective Care projects will need to be reviewed externally and by MPAG at Decision Gate 2.** Both the preliminary business cases for Cork and Galway lack important elements normally expected at this stage of the PSC project lifecycle including confirmation of sites, preliminary designs, and a procurement strategy aligned to scope and risk model. Given these issues and the respective risks arising, it is imperative that both these proposals receive appropriate review and scrutiny through external reviews and an MPAG review at Decision Gate 2 if approved in principle at this point by Government at Decision Gate 1. Such reviews will further help minimise risks and ensure that the proposed approach for delivering the Cork and Galway Elective Care Centres is robust prior to the projects going to market.

Planning

- 5.4 **The emerging preferred sites for the Cork and Galway Elective Care Centres have yet to be formally confirmed with local stakeholders.** The documentation is clear that the preferred sites are 'subject to due diligence' which may identify substantial residual risks, particularly as the preliminary selection process involved only high level qualitative analysis. In the absence of proposed sites that can be assessed by MPAG or any party, the benefits of the project in terms of proximity to existing health services, accessibility for patients, staff and visitors, connectivity with roads and modes of public transport, site design and capability for future expansion and other key elements of the ECC programme cannot be sufficiently considered or quantified. Unless a formal agreement on the use of the sites is in place between local stakeholders and the Sponsoring Agency, a Government decision to approve the current proposed sites in Cork and Galway increases risks around unforeseen costs and delays delivering the Elective Care Centres. Final site selection should follow robust technical due diligence and risk analysis in the context of comprehensive engagement on the use of the sites with local stakeholders and the Sponsoring Agency.
- 5.5 **The process used to determine the proposed sites for the Elective Centres in Cork and Galway may not pass scrutiny once the projects are submitted for planning permission.** Proposed locations for the Elective Care centres have been examined using a set of qualitative criteria with no obvious weighting to criticality. However, more detailed analysis for each site including analysis of potential wider impacts and constraints of local infrastructure and utilities is needed to mitigate against planning risks and ensure the projects are not delayed in the planning process. The Sponsoring Agency should conduct this analysis at the earliest opportunity and consult with relevant stakeholders including local authorities as well as infrastructure and utility operators. A robust proper planning and sustainability basis for the

sites ultimately selected must be ensured in accordance with the requirements of the planning process.

- 5.6 **Should it be formally selected, the proposed Sarsfield site for the Cork Elective Care Centre is deemed to be at particular risk of being delayed or failing to obtain planning consent.** The Sponsoring Agency needs to address in detail the risks posed by the Sarsfield site's location with the Cork Metropolitan Greenbelt Area as well as the concerns over the site's overall accessibility and ability to interact with acute hospital facilities in Cork city. In particular, the business case for the proposed location is reliant on a number of assumptions including improved public transport connections through the Busconnects Cork programme. The risk that such public transport services and other connectivity improvements may not materialise needs to be examined carefully and consultations carried out with the relevant public body (i.e. Transport Infrastructure Ireland, National Transport Authority).

Procurement and Commercial Strategies

- 5.7 **The business cases fail to evidence that reasonable consideration has been given to potential procurement approaches for delivering the Cork and Galway Elective Care Centres.** Noting that this will be considered in more detail at the next stage of the PSC project lifecycle, it is strongly recommended that the Sponsoring Agency begin detailed consideration of the possible procurement routes for delivering the proposed Elective Care centres at a very early stage in the design development stage. This should include consideration of encouraging standardised designs and delivery mechanisms, use of modern methods of construction and green procurement approaches. In developing these major new facilities, the implications of the Climate Act and national sustainability objectives should be fully embedded in design and construction as well as in the operational phase.
- 5.8 **Further work would need to be done at a central and regional level to assess the maturity of the market for developing Elective Care facilities.** Lessons should be learned from international experiences of delivering Elective Care facilities in recent years.