

<b>Meeting:</b>	<b>Grampian NHS Board Meeting</b>
<b>Meeting date:</b>	<b>6 April 2023</b>
<b>Item Number:</b>	<b>11</b>
<b>Title:</b>	<b>Baird and ANCHOR Project Update</b>
<b>Responsible Executive/Non-Executive:</b>	<b>Paul Allen – Senior Responsible Officer (Baird Family Hospital and ANCHOR Centre Project)</b>
<b>Report Author:</b>	<b>Jackie Bremner - Project Director</b>

## 1 Purpose

This is presented to the Board to:

1. **Note** progress on delivery of this Project and the emergent design issues
2. **Note** the process described to resolve outstanding design issues
3. **Note** the revised programme for delivery of both projects, including the potential for further slippage.
4. **Note** the risk to project cost forecast and impact on associated funding arrangements.
5. **Request** a report be submitted to the Audit & Risk Committee after the conclusion of the design resolution process about that process and balance of risk analysis used to make the decision, in order to get assurance on the process and note any lessons learned for future projects
6. **Request** a report be provided to the Performance Assurance, Finance and Infrastructure Committee at its April 2023 meeting providing information on the action plan to address the ANCHOR Construction Key Stage Assurance Review (KSAR) Report recommendations
7. **Request** updates on project forecast and actual costs to be provided to each meeting of the Performance Assurance, Finance and Infrastructure Committee up to project close.
8. **Note** that a further report will be brought back to the June 2023 Board meeting; and periodically thereafter through the life of the project.

**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 seeks to provide an update on progress with the project now 26 months into construction.

NHS Grampian, the project team and partners continue to manage several challenges that are unlikely to have been experienced in earlier construction projects, this includes:

1. the difficulties associated with construction during the Covid pandemic;
2. global market turmoil following the pandemic and more recently the war in Ukraine which have all created abnormal market conditions impacting on costs and the availability of materials and labour supply; and
3. the Infection Prevention & Control Team (IPCT) did not have sufficient capacity during the Covid Pandemic to be involved in the project because the critical work protecting services that were operational during the pandemic had to take priority

The new NHS Scotland Assure (NHSS Assure) assurance review process was implemented nationally after commencement of the construction phase of the project, and as a consequence of the learning coming from other recent major hospital developments in Scotland. This is a positive development as it ensures that the project will be designed and built to meet the highest standards now applying to all major hospital projects in Scotland, but it has had an impact on project capacity. This is because approval of the business case and resources required for the project was obtained prior to NHSS Assure being created and the project has therefore had to adapt accordingly mid project.

The project team and its advisors are working collaboratively with the Principal Supply Chain Partner (PSCP), 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.

In addition, the project team are working closely with the NHSS Assure Team, as part of the new Key Stage Assurance Review (KSAR) process outlined in DL (2021) 14 and IPCT colleagues in Grampian to investigate and close out several issues raised over recent months –see section 2.3 below for further details.

The issues that have been raised in recent months include issues raised by IPCT colleagues and include water and ventilation systems. There are agreed processes in place to investigate and resolve these. Further information on these issues and the resolution processes is provided in section 2.3.4 below.

The additional engagement on these issues with NHS colleagues and external partners and the potential additional work that may be required to adjust the design of some systems including water systems and elements of ventilation systems means that there may be further increases to the project costs and further delay to the completion dates for the ANCHOR Centre and The Baird Family Hospital. More

information on the possible extent of further programme delays is provided in section 4.

## **2.2 Background**

Both 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, Improvement in healthcare facilities to prevent HAI (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 service redesign within the Baird Family Hospital will be enhanced transitional care providing 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 the unit, often at some considerable distance from home.

The ANCHOR Centre is 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.

### **2.2.1 National Assurance Processes – timeline of events**

Prior to Full Business Case approval, the project team and key stakeholders participated in the National Design Assessment Process (NDAP) led by Health Facilities Scotland, now NHSS Assure. The NDAP process is a well-established assurance process which is an integral part of the Scottish Capital Investment guidance and completed during the project design stage, prior to Full Business Case approval. NHS Grampian received a 'supported' NDAP from Health Facilities Scotland (HFS) in May 2020, with specific follow-up actions to be closed out in due course. These follow up actions were confirmed as closed out by HFS in May 2021.

Prior to entering into the formal agreement to move to the construction phase, an independent design assurance review was commissioned by HFS's Interim Review Service (IRS). This comprehensive review covered key design elements of the project, in particular mechanical and electrical systems and infection control, and was an additional review to the existing NHS Scotland NDAP and Gateway Reviews undertaken on major projects within NHS Scotland.

The Full Business Case (FBC) was approved by the NHS Grampian Board and the Scottish Government Capital Investment Group (CIG) in September 2020 and the construction contract for the Baird and ANCHOR Project was entered into in October 2020.

During 2021/22 the new NHSS Assure independent assurance process was rolled out nationally which requires several Key Stage Assurance Reviews (KSARs) to be conducted over the remainder of the project: there will be a construction, a commissioning and a handover KSAR for each building. The independent assurance process includes learning from the Queen Elizabeth University Hospital and new Edinburgh Royal Hospital for Children and Young People projects. No project is now allowed to proceed to 'bring into service' without a 'supported' KSAR status or completed action plan to achieve 'supported' status, as confirmed in DL (2023) 03 received from the Scottish Government in February 2023.

### **2.2.1.1 ANCHOR Construction KSAR**

During recent months the ANCHOR Construction KSAR has been completed and a report and action plan has recently been shared with NHS Grampian for implementation. During the coming months the project team will participate in three further KSAR exercises, the ANCHOR Commissioning KSAR, ANCHOR Handover KSAR and the Baird Construction KSAR.

The ANCHOR Construction KSAR report received an 'unsupported' status, with the Board asked to progress and/or close out all of the agreed actions in advance of a review of progress prior to the ANCHOR Commissioning KSAR due later in 2023.

The ANCHOR Construction KSAR report noted NHS Scotland Assure concerns about the Infection Prevention Control Team involvement in the project and approvals process as a factor in several of their recommendations, that several concerns identified by IPCT had not been addressed at the time the report was being compiled (August 2022– January 2023) and that there is a risk of capacity around IPC resource for this project. In the report NHSS Assure acknowledge that IPC capacity has been challenging due to the pandemic response and staffing levels.

Since receipt of the report there has been renewed engagement with IPCT colleagues, acknowledging the capacity issues for IPCT during the pandemic, IPCT capacity for the project has been reviewed with additional funding identified and a process to resolve outstanding questions is being developed, further detail of which is provided in section 2.3.4 below.

The main actions required as a result of the ANCHOR Construction KSAR are:

- review the mechanical, electrical and plumbing strategies with the Infection Prevention Control Team, including ventilation strategies and have documented approvals in place from all stakeholders
- review the status of electrical schedules noted as preliminary to ensure they have been approved for use in the construction stage

- ensure the derogation schedule is fully updated with appropriate stakeholder review and approval and that technical and stakeholder review of derogations is documented, with accepted derogations providing an equivalent (or better) level of safety/performance to that specified in the guidance
- ensure testing and commissioning programmes are reviewed by the PSCP and their subcontractors
- ensure access and maintenance strategies have been developed for the contractor design elements and that they are reviewed by NHS Grampian stakeholders
- review the impact on the wider Foresterhill site to facilitate the connection from the existing electrical infrastructure to the ANCHOR facility, including determining if there will be any break in supply affecting other areas of the site, and ensure that there is recorded evidence of the infrastructure connection action plan, which will be signed off by NHS Grampian prior to any works commencing
- ensure the recommendations of the Full Business Case Independent Review Service independent design assurance review report have been reviewed and addressed with supporting evidence recorded
- develop and implement a consolidated action plan, including residual items from the IRS report and the ANCHOR Construction KSAR

A report on the actions being taken to resolve the issues identified in the ANCHOR Construction KSAR will be taken to the Performance Assurance, Finance and Infrastructure Committee in April 2023.

## **2.3 Assessment**

### **2.3.1 Construction Quality Assurance**

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 PSCP and their supply chain.

The PSCP'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 details and outcome of each site visit is formally recorded within a shared quality management system, which ensures that all observations and actions requiring 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 the PSCP to review general progress, lessons learned and to ensure follow up and resolution of quality issues.

### **2.3.2 Design Quality Assurance**

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 clinical groups, patients and other key stakeholders and the general public. The original design was agreed in 2015/16 and, as stated above, there has been learning from other major hospital design and construction projects completed since then in Scotland.

Following receipt of a number of observations made by IPCT colleagues and the findings of the ANCHOR Construction KSAR report detailed in 2.2.1.1 above, elements of the design for both buildings are currently being revisited in collaboration with IPCT, clinical and estates colleagues and other key stakeholders in order to enhance the safe operation of both buildings when they are commissioned and brought into service.

This design review includes appropriate technical officers, internal and external experts and clinical stakeholders involved in the development of these facilities. The design development and review process will respond to the findings of the IRS independent design assurance review undertaken prior to the Full Business Case approval, the ANCHOR Construction KSAR issued in March 2023 and the issues raised by IPCT colleagues. It will also include any actions arising from the Baird Construction KSAR Report when that is completed later in 2023.

Regular stakeholder engagement continues to ensure that the new facilities reflect relevant guidance and the need and expectations of key stakeholders. In relation to the delivery of clinical services there is an Executive Service Redesign Group, chaired by the Integrated Families Portfolio Executive Lead, which oversees the planning for the commissioning of the new facilities and aims to secure the service and patient benefits planned.

Service redesign has been a key work stream since 2016 when clinical briefs for all of the Baird and ANCHOR services were agreed. The principle 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 now well embedded in current clinical practice.

### **2.3.3 Potential Design Redesign Issues**

There are four main areas where redesign is being considered due to issues raised in the ANCHOR Construction KSAR Report or by IPCT colleagues. During the Covid pandemic, the IPC Team had to prioritise support to operational services and there was therefore no capacity to support this project, but IPCT colleagues are now fully involved. There can sometimes be divergent opinions on interpretation of guidance, including, for example, water and ventilation systems in order to meet guidance and deliver safe facilities for staff, patients and visitors. The project team, relevant stakeholders and internal and external experts including estates and IPCT colleagues are jointly working through these issues to confirm the existing design or to instruct a changed design, where indicated.

## Main Issues Raised

- Ventilation – ANCHOR Treatment area and Baird Neonatal unit
- Water systems – both ANCHOR and Baird, domestic water systems and sinks and taps
- Access for maintenance and cleaning, particularly at height
- Derogation sign off by stakeholders

### **2.3.4 Issue Resolution Process - KSAR and IPCT Issues**

A collaborative process to resolve these issues is being implemented.

Level 1 - Joint workshops are held to discuss each issue, to achieve a mutual understanding of the issue, review guidance and reach an agreement on whether change is required or not.

Level 2 - Where the issues are complex and agreement on any action cannot be reached key stakeholders are asked to share their perspectives in writing. These documents are then circulated to the other stakeholders and a joint meeting, with advisory input from NHSS Assure, is held to come to a consensus view on the best way forward. This process has already started in relation to the issue of patient access to terraces from the ANCHOR treatment area and window opening in this open plan area and will be used over the coming months for the other issues as required.

Level 3 - If consensus cannot be reached at these joint meetings, the issue will be escalated to an NHS Grampian Executive Director panel, comprising the Director of Infrastructure & Sustainability, the Medical Director, the Executive Nurse Director and the relevant Portfolio Executive Lead for the facility where the issue is located. This Panel will hear presentations from key stakeholders, consider the paperwork provided from the previous stage, seek clarification or additional information and will make a risk-based recommendation on how to proceed to the NHS Grampian Chief Executive Team, who will make the final decision.

These are complex issues involving professional judgement and balancing different risks. A significant element of the decision-making process is NHS Grampian's tolerance of different levels of risk, including clinical and infection prevention and control risks, financial and reputational risk.

Taking into account the high level of judgement required to make these decisions, it is recommended that the NHS Grampian Audit & Risk Committee receive a paper summarising the process and the decisions taken after all key issues have completed the resolution process, to consider how the balance of risks was applied and to learn any lessons for future projects.

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

As outlined earlier in the report a process to investigate and address issues identified by IPCT colleagues and the ANCHOR Construction KSAR report is underway. This process may lead to a number of further design changes, which then impact on the project forecast and programme. The process to confirm change requirements and impact will take some months to complete.

The most recent budget forecast for the Baird and ANCHOR Project estimates overall project costs of **£261.1m**, an increase of **£16.3m** compared to the previous estimate of **£244.8m** summarised in the Table 1 below.

**Table 1 - Cost Forecast Update**

	<b>Approved FBC</b>	<b>Forecast March 2022</b> Advised NHSG Board June 22	<b>Forecast March 2023</b> Advised NHSG Board March 23
	<b>£millions</b>	<b>£millions</b>	<b>£millions</b>
Construction Related Costs	216.2	227.8	244.1
Furniture and Equipment	17.0	17.0	17.0
<b>Total Investment</b>	<b>233.2</b>	<b>244.8</b>	<b>261.1</b>
<b>Sources of Funding:</b>			
SG Additional Capital Funding	233.2	244.8	*
<b>Total Sources of Funding</b>	<b>233.2</b>	<b>244.8</b>	<b>*</b>

\*Dialogue is ongoing with the Scottish Government in relation to project funding requirement.



Table 2 below provides a breakdown of the main reasons for the increase in the project forecast which relates to the continued impact of abnormal market conditions of project delivery and also the impact on construction costs and project resources associated with the process to secure compliance and quality.

**Table 2: Increase in Project Forecast - Reasons**

	<b>Forecast Mar-23</b>
	<b>£millions</b>
Further Abnormal Market Conditions	2.4
Programme Elongation – Quality Assurance	5.9
Construction Changes - Quality Assurance	6.9
Additional Project/Specialist Resources	1.1
<b>New Pressure</b>	<b>16.3</b>

The planned recurring revenue costs in the first full year of operation (£9.7million) were approved in the Full Business Case and incorporated into the Board’s financial planning from 2024/25, however given programme elongation and inflationary pressures, these costs are under review.

#### 4. Programme

The programme is updated regularly and current ‘Bring into Operation’ dates are set out in Table 3 below. These have slipped since last reported to the Performance Assurance, Finance & Infrastructure Committee (PAFIC) in October 2022. This is due to challenges encountered in progressing the final stages of the design of the facilities. Further redesign requirements as described in 2.3.3 above, when confirmed, may impact this programme further.

**Table 3 – Programme Update**

<b>Bring into Operation</b>	<b>June 2022</b>	<b>October 2022</b>	<b>March 2023</b>
	Reported to NHSG Board	Reported to PAFIC	Current Estimate
The ANCHOR Centre	August 2023	September 2023	October 2023
The Baird Family Hospital	March 2024	May 2024	September 2024
Aberdeen Maternity Hospital demolition	August 2024	December 2024	February 2025

## **5. 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 reduction 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 PSCP and its supply chain to confirm and manage current circumstances.
- Capacity of experienced and expert resources to respond to the programme of works which now has design and commissioning activities running in parallel. The Project Director confirmed with the Project Board and Project Team in January 2023 further refinements to both temporary staffing and also longer term arrangements for the remainder of the project to enhance project team capacity to manage multiple parallel work streams.
- Concluding the design stage and its coordination, which is impacting on the programme of works. Further resources are being sought to manage this risk.
- Design review and assurance activities to 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.
- 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. The main focus currently for functional commissioning is preparation for the ANCHOR Centre.

## **6. 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.

## 7. Other impacts

No other relevant impacts to note at this stage.

## 8. 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 a dedicated resource from the public involvement team. This is in addition to communication being a significant feature in the work undertaken by senior project team personnel.

The project team continues to communicate actively with stakeholders. Some of the learning during the Covid period has resulted in a mixed model of face to face, written and visual engagement. Face to face engagement and time spent in clinical departments updating colleagues, patients and visitors and engaging them in the preparation for functional commissioning and bring into operation continues to be a key feature of engagement.

Continued communication with and participation from charity and third sector partners continues to be an important focus for the team. Patient input from the start of the project has influenced and strengthened the design of the facilities; more detailed work is progressing to engage with patients and service users about features such as art, interior design, furniture selection etc.

Keeping our North of Scotland regional partners updated is also important with visits held during 2022 to both Orkney and Shetland and more being planned for during 2023 and 2024.

## 9. 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 periodically at the Performance Assurance, Finance and Infrastructure Committee (PAFIC), going forward a programme and cost update will be provided to PAFIC at each meeting.

## 10. Recommendations

The Board is asked to:

1. **Note** progress on delivery of this Project and the emergent design issues
2. **Note** the process described to resolve outstanding design issues
3. **Note** the revised programme for delivery of both projects, including the potential for further slippage.
4. **Note** the risk to project cost forecast and impact on associated funding arrangements.

5. **Request** a report be submitted to the Audit & Risk Committee after the conclusion of the design resolution process about that process and balance of risk analysis used to make the decision, in order to get assurance on the process and note any lessons learned for future projects
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