Opening Statement
Joint Committee on Health
Wednesday 23rd January 2019
Department of Health

Introduction
I am joined by my colleagues Tracey Conroy, Assistant Secretary Acute Hospitals Policy Division, Fionnuala Duffy, Head of Acute Policy Unit, and Aonraid Dunne, Principal Officer.

New Children’s Hospital Background
There are many challenges before us to deliver a new national children’s hospital. The infrastructure and the fragmented nature of the existing children’s hospitals in Dublin are not fit for purpose to deliver the best possible service for children and young people in Ireland. We must not lose sight of the ultimate goal to deliver a new children’s hospital that will provide national services of the kind that can only be provided in a centre with the scale of services, critical mass of clinical expertise and highly specialised healthcare facilities.

Last week in this Committee the National Paediatric Hospital Development Board outlined the current position on this project, including progress in the completion of foundation works at St. James’s campus (Phase A) and work on the two urgent care centres, together with approval to proceed with the main construction contract (Phase B).
Government approved on 18th December 2018 the construction investment to allow the National Paediatric Hospital Development Board to instruct the main contractor BAM to proceed with Phase B of the hospital at an overall capital cost of €1.433 billion. To complete the build of the hospital and Outpatients and Urgent Care Centres an additional €450m will have to be found over the period 2019 to 2022, including an additional €100m in 2019. The total of €450m requires net additional Exchequer funding of €320m (of which €50m is VAT) and an additional €130m in philanthropy funding.

This is a very significant and disturbing escalation in cost. On balance, Government decided to proceed with the project in the face of these higher costs because of the importance of the project for children’s healthcare. At the same time, a full independent review of the cost escalation has been commissioned and is underway.

**Health Capital Plans Now and in the Future – National Development Plan**

In February 2018, Project Ireland 2040 and the National Development Plan was launched and included a very significant overall increase in capital funding for the health services over the next ten years. The new children’s hospital is a major element of public health investment provided for in the National Development Plan.
This capital funding provides the opportunity to reform and modernise our health service, to deliver one that is fit for purpose, that our citizens can be proud of and that can meet the needs of our growing and ageing population.

Capital funding for our health service will be 165% higher for the next ten years than it was for the last ten years.

We have an ambitious plan to build a better health service for the future through the combination of a significant capital investment programme alongside the implementation of Sláintecare reforms.

Looking at capital investment plans for the public health sector, in addition to the new children’s hospital, there are many other health capital projects underway and at various stages of development in the public health sector. These include:

- The National Programme for Radiation Oncology at Cork, Galway and Dublin
- Building the new National Forensic Mental Health Service Hospital at Portrane, Co. Dublin
- Redeveloping the National Rehabilitation Hospital in Dún Laoghaire
- The Primary Care Centre construction programme
• The replacement and refurbishment of community nursing units for older people and long-term residential care units and housing in the community for people with disabilities
• The ongoing need to maintain and update buildings and healthcare equipment and ambulances in response to critical clinical risks.

The National Development Plan, over the coming decade will also support reform in the public Health sector, in line with health policies and the implementation of Sláintecare, including:

• Integrating healthcare and a decisive shift towards primary care,
• Investment in maternity hospital relocations in line with strategy,
• Delivery of additional health capacity, including development of dedicated ambulatory elective only hospital facilities, will be provided in response to demographic changes and future demands,
• investment in Health services ICT infrastructure to enable the integration of services and the flow of information across and within hospitals, primary care and community care.

Health Capital Plan 2019 and beyond
The Health capital allocation in 2019 is €567m for the construction and equipping of health facilities. This represents an increase of €129m on last year’s provision.
In Budget 2019, the Government also provided an additional €50m capital in 2020, to bring the 2020 provision to €659m.

Following the publication of the Health Service Executive's National Service Plan for 2019, the Health Service Executive is currently developing its Capital Plan for 2019.

The HSE Capital Plan will determine the projects that can progress in 2019 and beyond having regard to the available capital funding, the number of large national capital projects currently underway, the cashflow requirements attaching to each project and the relevant priority. A number of projects in progress are contractually committed and nearing completion, including the National Forensic Mental Hospital at Portrane and the National Rehabilitation Hospital Phase 1.

In developing its Capital Plan for 2019 and future years, the HSE must consider a range of issues including:

- the expenditure that is contractually committed
- the HSE’s annual requirement in relation to meeting risks associated with clinical equipment, ambulances and healthcare infrastructure and
- the total capital exchequer funding required for the new children’s hospital in 2019.
The impact of the increased costs for the completion of the new children’s hospital will, based upon the HSE’s analysis and Government priorities, see the timing of non-contracted capital commitments managed within the available health capital allocations.

In line with statutory requirements, and in consultation with the Department of Public Expenditure and Reform, the Department of Health and the HSE are currently engaged in a process to finalise the HSE Capital Plan for 2019, informed by the Government decision on the children’s hospital. Details of total capital investment for 2019 will be set out in the Plan and the HSE will be required to manage its capital expenditure within the agreed Plan. In line with the recent Government decision, the Minister for Public Expenditure and Reform is to revert to Government in the near future for capital allocations post-2019.

In terms of the financing of the children’s hospital project for 2019, €150m had already been included in draft HSE capital profiles for the project in 2019. Based on the outcome of the Guaranteed Maximum Price process an additional €100m is required to fund the project in 2019. The Government decided €50m of this is to be provided from the health capital allocation. The balance for 2019 will have to be met by reductions in the capital allocations for all Departments out of a proposed capital allocation of €7.33 billion in 2019, which is an increase of €1.33 billion (22%) on the 2018 allocation. Overall, a total of €10.9 billion is provided for the health sector under the National Development Plan, for the period 2018-2027.
With regard to meeting the additional funding requirements for the project in future years, the Department is engaging with the Department of Public Expenditure and Reform and the HSE.

**New Children’s Hospital**

The new children’s hospital project includes a national hospital being developed on the campus shared with St James’s. Together with its two paediatric outpatients and urgent care centres on the campuses shared with Connolly and Tallaght Hospitals it will provide all secondary, or less specialised, acute paediatric care for children from the Greater Dublin Area.

The hospital will become the single national tertiary/quaternary centre providing specialist and complex care to children from all over Ireland. The fundamental aim of the project is to ensure best possible health outcomes for children with significant ancillary benefits through the creation of a research-intensive academic healthcare institution.

There are also significant wider economic and community benefits.

The new children’s hospital development is the most significant capital investment project ever undertaken in healthcare in Ireland. A hospital designed and built to support its staff to deliver the best care and treatments for Ireland’s sickest children. In terms of construction development, considerable progress has been made on the project since April 2017.
Enabling works on the main hospital site are complete and Phase A construction works (substructure works on the main site), commenced in October 2017 and are also now nearing completion. Development is also well advanced on the paediatric outpatients and urgent care centres. Works at Connolly are on target for practical completion of the building in Spring 2019 with the opening scheduled for July 2019. Works at Tallaght are underway with a target handover date of July 2020. A fully-aligned construction programme is agreed with main hospital construction to be completed by July 2022.

A key milestone in relation to the programme of work underway to integrate the paediatric services across the existing sites in advance of the move to the new facilities is the Children’s Health Act signed into law at the end of November and commenced in December. The Act provided for the historic establishment of a new body, Children’s Health Ireland (CHI) which has taken over responsibility for the paediatric services provided by the three hospitals from 1st January 2019.

**Governance Structure of the Project**

As you are aware, operational responsibility for delivery of the construction project lies with the National Paediatric Hospital Development Board, charged with planning, designing, building and equipping the new children’s hospital and outpatient and urgent care centres.
It is headed by a Board, appointed by the Minister for Health the Chair of which you met with last week. The Board has full statutory responsibility for the design, procurement, build and equipping of the new hospital.

A comprehensive review of the governance structures for the Children’s Hospital Project and Programme was undertaken in 2017 by the Department and the HSE, in collaboration with the Department of Public Expenditure and Reform, in the context of embarking on a new phase of the project. Revised governance structures, including the establishment of a Children’s Hospital Project and Programme Steering Group and a Children’s Hospital Project and Programme Board, were approved by Government in April 2017. These were implemented in recognition of, and to reflect, the need to prepare well in advance of completion of the facilities for integration of the clinical and non-clinical services of the three children’s hospitals, preparation for the opening of the Outpatient and Urgent Care centres and the need to manage dependencies across the various components of the project which will support the operation of the new hospital.

The Children’s Hospital Project and Programme Board, which is chaired by the Secretary General of the Department of Health, oversees and monitors the progress on the Children’s Hospital Project and Programme.
The Children's Hospital Project and Programme Steering Group is chaired by the Deputy Director General of the Health Service Executive who is before the Committee today also. The Steering Group directs the overall programme of work within agreed parameters, and reports to the Children's Hospital Project and Programme Board. The NDPDB receives its capital funding for the project from the HSE, as the sanctioning body for the new children's hospital programme. The NPHDB provides regular updates on the capital project progress to the HSE chaired CHP&P Steering Group.

It is acknowledged that the challenges and operational environment of the project going forward, will be fundamentally different in some respects as the project moves into Phase B.

In particular, the focus on design and value engineering will switch to construction management. The construction activities and monitoring of the guaranteed maximum price will need constant and active management as the project proceeds and oversight by the governance arrangements. When Government approved on 18 December 2018 the construction investment to allow Phase B of the hospital to be instructed, Government also made very clear its concerns to ensure that the project is delivered on time and on budget. There is no doubt that the additional costs associated with the project are of great concern and we must have assurance that Phase B of the construction project will be delivered within budget and timescale.
Accordingly, Government has also approved the commissioning of:

1) an independent review of the escalation in cost in determining the adjusted contract sum,

2) a review of the existing oversight arrangements between the Department of Health, HSE and the NPHDB, and

3) a scenario analysis to identify potential costs of any residual risks to the capital project.

The independent review of the escalation in cost in determining the adjusted contract sum, which commenced this week, will examine the contributory factors and associated responsibilities so that any potential weaknesses are identified and comprehensively and speedily resolved in the interests of the successful completion of the project and the effective management of public funds.

The Department, the HSE and the NPHDB are fully committed to collaborating with these reviews and to implementing any recommendations arising.

In parallel with the building of the new children’s hospital and the Urgent Care Centres, the integration of the three existing paediatric hospitals and the transfer of services to the new hospital facilities represent a highly complex project in its own right.
Children’s Health Ireland is leading this major programme of work of integration and change management to firstly run integrated services on the existing hospitals’ sites and secondly to achieve a successful transition to the new facilities as they open.

Thank you, and my colleagues and I are happy to address any queries you may have.