

An Roinn Sláinte
Department of Health
Secretary General



Ms Sarah Cremin
Committee Secretariat
Committee of Public Accounts Houses of the Oireachtas

By email: PAC@oireachtas.ie

7 March 2022

Ref: S0721 PAC33

Dear Ms Cremin,

I refer to your letter of 4th February 2022, following the Committee of Public Accounts meeting of 20th January 2022 and consideration of earlier correspondence received from the Department of Health on 10th December 2021, requesting further information from the Department of Health for the Public Accounts Committee, in relation to the following:

1. *up to date financial information to end 2021 to include inflation/projected inflation, clarification if forecasting has been undertaken, projections for 2022, and if there will be a significant increase in costs.*
2. *the numbers of staff currently onsite and whether staffing levels are impacting on construction targets.*
3. *an update in relation to contractor claims and the moratorium on High Court claims and if it is still in place.*
4. *clarification regarding the discrepancy in the number of design changes previously provided by the Board at the meeting on 9 February and the corresponding number provided in this correspondence.*
5. *further information in relation to the 2-stage procurement process, why it was chosen and where has this model been used before; and*
6. *the status re percentage completion of the project, current challenges, and if there are delays in specific areas.*

The Department liaise with the National Paediatric Hospital Development Board (NPHDB) on such matters on a regular basis and it was informed by the NPHDB that work was underway to address the detailed queries raised by the Committee. As the NPHDB has statutory responsibility for the New Children's Hospital project, we felt they were best placed to provide the comprehensive response and substantive answers to the questions raised by the Committee.

The Department was aware that, at the time of writing, the NPHDB was expecting to provide that comprehensive response in the following days, and that subsequently issued on 14th December 2021.

With regards to the Department's position in relation to the expenditure on the hospital, there are Governance structures in place to oversee and monitor progress on the Children's Hospital Project and Programme. These include the Children's Hospital Project and Programme Board and the Children's Hospital Project and Programme Steering Group, chaired by the Deputy Director General of the Health Service Executive. The Steering Group directs the overall programme of work within agreed parameters, and reports to the Children's Hospital Project and Programme Board.

The Department of Health, the HSE, and the NPHDB have collective statutory responsibilities to ensure the cost-effective and timely delivery of the NCH project and programme and have a duty of care to ensure that its actions and undertakings are made in the best interests of the project and the public interest in equal measure, to ensure value for money and optimal outturn on investment and ultimately the delivery of health services for the children of Ireland.

The Department is also in frequent contact with the NPHDB and the HSE on all aspects of the project and receives regular updates, but in relation to the specific and detailed questions raised by the Committee, the NPHDB was best placed to respond with the most up to date information in a timely manner.

The Department would like to add to the detailed responses issued by the National Paediatric Hospital Development Board on 14 December 2021 Ref: S0640 PAC33. Based on the most recent updates received from the NPHDB:

- as of 31 January 2022, the contractor has submitted 1023 substantiated claims and the moratorium between the NPHDB and the contractor remains ongoing.
- in relation to the percentage completion on the project valuation of works, at end of January 2022 was €570.3m which is equal to 62% of the €909.9m Guaranteed Maximum Price (Construction Price).

The approved capital budget for the main hospital at St James's Hospital campus, the two satellite centres, equipment for the three sites, and construction of carpark and retail spaces is €1.433bn. This is more than building a new hospital and 2 satellite centres and there is a wider programme of works required including the integration of 3 hospitals and their respective operations and range of services into one and delivery of ICT and bringing into use an Electronic Health Record. This brings the total approved programme budget to the approved €1.73bn figure.

There are a number of items not included in this investment figure as there was no price certainly for them and nor can there be, for some, for the duration of the project. These include

construction inflation, the impact of Covid-19, statutory changes, any change in scope resulting in healthcare policy changes and the Employment Order. In addition, there remain risks beyond the control of the Development Board and the contractor, arising from Brexit, global supply chain difficulties and shortages of construction raw materials. However, both the NPHDB and the contractor are working hard to mitigate those risks where possible.

Definitive updates on outturn costs cannot be provided, based on the risks and external variables discussed above.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Robert Watt', written over a horizontal line.

Robert Watt
Secretary General

