THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* HEALTH & SOCIAL CARE

HOSPITAL MODERNISATION PROGRAMME

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled 'Hospital Modernisation Programme', dated 11th February, 2019 they are of the opinion:-

1. To direct the Committee *for* Health & Social Care to progress with the proposed ten year Programme to modernise the Princess Elizabeth Hospital, in support of the Partnership of Purpose;

2. To delegate authority to the Policy & Resources Committee, following approval of the necessary business cases, to open capital votes of a maximum of £44.3million, charged to the Capital Reserve, to fund Phase 1 of the Hospital Modernisation Programme, as set out in section 7 of the Policy Letter; and

3. To note that delivery of subsequent phases of the Hospital Modernisation Programme will be subject to prioritisation by the States for inclusion in future capital portfolios.

The above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

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HOSPITAL MODERNISATION PROGRAMME

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

11th February, 2019

Dear Sir

1. Executive summary

1.1. The purpose of the Committee *for* Health & Social Care ("the Committee") is "to protect, promote and improve the health and wellbeing of individuals and the community". As part of the work to fulfil that purpose, the Committee set out in its Target Operating Model in the Partnership of Purpose Policy Letter (Billet d'État XXIV of 2017, Article 12)[1], its intention to improve the way in which services are delivered at the Princess Elizabeth Hospital (PEH). The Partnership of Purpose highlighted the need for alterations to the infrastructure at the PEH to make it fit for purpose, both now and for the future.

1.2. This Policy Letter sets out those current issues with the hospital, the reasons why the alterations are required and the proposals for how this can be done with as little disruption to business-as-usual as possible. It explains the context for the need for such changes, sets out proposals for a long-term programme of works and the initial forecasted expenditure associated with each phase.

1.3. The 10 year Hospital Modernisation Programme ("the Programme") seeks to ensure that acute services are part of an integrated system of community care, provided from a hospital that is safe and modernised, with a layout which is sufficiently flexible to meet future needs and that can more easily adapt to future developments in health care. It will provide a patient focused environment that

[1] Billet d'État XXIV, 2017 - Partnership of Purpose Policy Letter

it is hoped will support improved staff morale and efforts to recruit and retain staff, improve accessibility of the site and improve the look and feel of the hospital environment. The anticipated whole Programme capital costs are in the region of £72.3m to £93.4m.

1.4. The Programme has been divided into three phases, with the first phase involving the relocation and modernisation of the Women's and Children's ward, the development of a new wing for the Critical Care Unit (CCU) and Theatres, as well as work to establish the most suitable location for the Medical Specialist Group. The total cost of Phase 1 is estimated to be in the range of £34.3m to £44.3m.

1.5. The Committee is asking the States to agree that delegated authority be given to the Policy & Resources Committee ("P&R") to approve the required funding for Phase 1 of up to £44.3m. Approval of this request will enable the Committee to quickly move forward with these critical projects to address some of the highest areas of clinical and estate risk.

1.6. P&R has confirmed that this proposal has been reviewed in accordance with the approved assurance pathway and the recommended investment is affordable within the Capital Portfolio. To enable P&R to exercise its delegated authority and approve future capital funding, it will be essential that the Committee submits business cases for each project which clearly demonstrates value for money, taking into account both the capital investment and the revenue costs. P&R recognises that, whilst there is a need to meet current health and social care service pressures, it is essential that all capital investment supports the transformation of health and social care and the delivery of tangible benefits.

1.7. Further work identified in Phases 2 and 3 of the Programme would return to the States for consideration in future rounds of capital prioritisation.

2. Policy background

2.1. In June 2017, (Billet d'État XII of 2017)[2] the States of Deliberation ("the States") approved the Policy & Resource Plan – Phase 2 ("P&R Plan"), in which the States set out its 20 year vision "to be one of the healthiest and happiest places in the world, where everyone has an equal opportunity to achieve their potential." It has long been widely recognised that, to meet this aspiration and "to ensure the continued good health of our community", the health and care system should be

[2] Billet d'État XII, 2017 - Policy & Resource Plan - Phase 2

transformed to meet the community's changing needs.

2.2. At the same time, the States approved the Medium Term Financial Plan[3] (MTFP). Part of this Plan set out the proposed capital portfolio for the next period (2017 to 2021). This aspect of the MTFP has the objective of supporting the delivery of States' strategy through appropriate investment in systems and infrastructure. The Plan included the Hospital Modernisation Programme (previously the PEH Re-profiling Programme), (Phase 1) and Phase 2 as a pipeline project.

2.3. The two phases of the Programme were prioritised in the MTFP under the "transform"[4] category as large projects. Phase 2 of the Programme was included as a pipeline project for consideration in the next round of capital prioritisation, in recognition of the fact that some proposals submitted were longer term in nature.

2.4. Phase 1, design phase, was approved on the basis that it would be "Reviewing the PEH Hospital layout and, where necessary, making changes to ward positions to help deliver the islands' health services in a more efficient and effective manner and help support the move towards treating more patients in the community." The proposals contained in this Policy Letter include the work identified in the MTFP, albeit now the Committee is recommending that the Programme is taken forward as three phases of work, rather than two as previously described, over a 10 year period.

2.5. In December 2017, the States approved the Committee's Partnership of Purpose Policy Letter setting out the vision for the future model of health and care in the Bailiwick. The Partnership of Purpose's overarching vision is that "by 2025, we will have designed, built and transitioned to a delivery model for services that is both sustainable and affordable within the context of the long-term fiscal and demographic forecasts".

2.6. Through the Partnership of Purpose, the Committee has set out to tackle some of the deep-seated challenges within the Bailiwick's health and care system, including those relating to the physical landscape of health and care. In support of this and the vision and the themes to be delivered within the P&R Plan, the Committee prioritised in its policy plan for 2017-2021 the development of the Target Operating Model (TOM) for the new model of health and care, and the optimisation of the estate infrastructure through the modernisation of the

[3] Medium Term Financial Plan 2017-2021 as amended
[4] Transform service delivery in line with public service reform

hospital site.

2.7. The Committee recognised that "the hospital modernisation programme is an essential catalyst for change" and, through the proposed works, supports the delivery of several outcomes aligned with the P&R Plan and Public Service Reform (PSR) agenda[5], which aims to transform the organisation, management and delivery of public services. The Transforming of Health & Social Care Services Programme, which was prioritised under the PSR agenda in the 2016 Budget (Billet d'État XIX of 2015)[6], will deliver the Partnership of Purpose.

2.8. The TOM highlighted a need to continue to develop the PEH site through the integration of health and care specialists, so enabling closer cooperation in respect of the management and delivery of services, the potential for shared core and back-office services and improved working practices. The Partnership of Purpose sets out the intention for the PEH campus to continue as the "backbone of the system" with the long-term intention that it should be the focus for the delivery of secondary health care, including the acute hospital and the mental health centre, and diagnostics.

2.9. The Committee also envisages that the work of the policy priorities of the Supported Living and Ageing Well Strategy (SLAWS), the Disability, Equality and Inclusion Strategy and the Children and Young People's Plan will, in part, be enabled by the changes brought about by the modernisation of the hospital site. For example, SLAWS aims to drive improvements in health and care services for all adults, in light of the ageing population, which will be supported by the Day Patient Unit project. This project will enable day surgery provision to be enhanced to reduce lengths of stay within the hospital, improve patient recovery and, therefore, their outcomes, which is essential in effectively supporting people to live happier and healthier lives. In addition, the CCU and Theatres projects will support the demands of the ageing population, for those people who may require revision surgery following joint replacements, for example.

2.10. In addition, the modernisation of the site will ensure that the facilities are more accessible in line with the Disability, Equality & Inclusion policy priority, which aims to ensure that people with a disability and their carers can live independently and participate fully in all aspects of life, including by being able to equally access any place that is open to the public, such as the hospital site.

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[5] https://www.gov.gg/change
[6] Billet d'État No. XIX, 2015 - 2016 Budget

3. Current context

Ageing demographic

3.1. Similar to many other jurisdictions, it is widely recognised that the Bailiwick faces a demographic challenge resulting from an ageing population. Over time this will mean that the number of people needing to access public services, in particular to health and care services, will rise, thereby placing increased pressures on existing services. Whilst the investment in transformation will enable services to be delivered more efficiently, increasing demand will inevitably result in the provision of health and care services costing more.

3.2. In the 2016 Budget (Billet d'État XIX of 2015)[7] Appendix II, the report prepared by BDO Limited set out the challenges being faced by the Bailiwick, which is similar to those challenges faced by many other health and care systems. These challenges included:

- **Financial:** A combination of pressures on funding from tax revenues together with increased cost of delivery due to changing demographics, improved but more expensive medical technologies and rates of medical inflation that exceed the Retail Price Index (RPI);
- **Quality and outcomes**: An increase in regulation and standards required by professional bodies together with greater expertise and expectation of service users; and
- **System reform:** A requirement to deliver a sustainable model of health and social care based on greater productivity and improved outcomes through integrated services and a move to preventative rather than reactive care.

3.3. The BDO report concluded that to deliver significant efficiencies, "major transformation over a number of years" was required and that to deliver this change "additional planning and infrastructure capacity" would be needed.

3.4. In 2017, informed by the work of BDO, KPMG set out the challenges facing the current health and care system of the Bailiwick, raising concerns around the reactive nature of the system and the substantial calls on the acute services provided at the hospital. At the same time, the modelling work identified the possible implications of the changing demographic on health and care, forecasting "that real terms public spending on health and care will increase from £195m, in 2017 to £214m by 2027, if nothing changes in the way that health and

[7] Billet d'État No. XIX, 2015 - 2016 Budget

care is provided."[8]

3.5. The report highlighted that the current system was in need of transformation to remove the reliance on expensive acute, hospital based health and care services.

Challenges, issues and opportunities at the PEH

3.6. The infrastructure of the PEH site presents several challenges and issues relating to:

- The current layout;
- The difficulty with the current infrastructure to maintain the latest standards;
- The need to upgrade the accommodation to meet current building regulations;
- The lack of flexibility in the way the PEH can be used; and
- The way these issues affect the recruitment and retention of staff.

3.7. The current layout of the PEH poses significant clinical risks, as identified by several external reviews. For example, the Paediatric Reviews carried out in 2016 and 2018, recommended that a designated area be provided for Children and Adolescent Mental Health service users and general adolescent service users. More recently, the Medicine Review (2018) identified that a lack of two medical wards means that patients are often moved between wards, causing unnecessary stress to patients and staff. In response to this, HSC has created two medical wards within the existing hospital campus, but this has been at the expense of being able to expand or modernise the current surgical provision, which also requires full modernisation. For example, the current orthopaedic ward does not allow for separate areas for trauma and elective surgery, which is now mandated by the NHS to prevent infection.

3.8. For several years, it has been widely accepted that the hospital site requires investment to maintain standards and proposals have been included in each of the capital portfolio submissions since 2014. Several parts of the hospital have now reached a crisis point and there were a number of instances in 2018 where the infrastructure failed, or capacity was reached, resulting in essential services being disrupted. A recent example of this was in November 2018 when, due to water ingress from a failed heat exchange, all four theatres had to be closed so that it could be repaired. This resulted in 12 operations being cancelled and Estates' staff working solidly for 36 hours to restore all the theatres.

[8] 2017 Partnership of Purpose Policy Letter

3.9. Several areas within the hospital need some form of upgrading to comply with the latest building regulations. In particular, the presence of an extremely toxic form of asbestos above the theatres means that, for every unplanned failure, resources are diverted away from planned maintenance activities, as well as additional costs being incurred through the need to use contractors to manage repairs and run through the necessary decontamination procedures. The presence of asbestos provides an additional and unnecessary challenge to staff who need to make repairs or undertake ongoing maintenance programmes, slowing down the work as there is an obvious need for thorough decontamination checks to be carried out before re-opening the theatres. The Programme offers the opportunity to remove the ongoing burden of asbestos from these areas of the site.

3.10. The hospital infrastructure as it currently stands has been developed, extended or refurbished in parts over time and is difficult to use flexibly. Many of the current clinical facilities date back to the 1940s, 1970s and 1990s and in some areas are in a seriously poor state. The current layout will constrain any attempts at service transformation if no adaptions are made to accommodate these changes. Likewise, without investment, the facilities will not be used as efficiently and as effectively as they could be, which will have implications on how increased demand for services is met.

3.11. The 2019 Budget (Billet d'État XXIV of 2018)[9] detailed the identified increased risk in the short-term, "relating to recruitment and retention of skilled nurses and allied health professionals from off-island". Although this is due to a variety of factors, not all of which fall within the mandate of Committee to address, it is recognised that the failing infrastructure is one factor influencing the recruitment and retention of staff. This is particularly true when recruiting staff from off-island, as potential employees may not be motivated to relocate to Guernsey to work in out of date facilities.

4. Overview of the Hospital Modernisation Programme

4.1. The proposed Programme will, through a series of interrelated projects, extend, refurbish and rebuild areas within the PEH campus to support outcomes, such as user centred care, empowered providers, integrated teams and a focus on quality. These outcomes cannot be achieved without this investment which, when coupled with modernised pathways for patient care[10], will support a more

[9] Billet d'État XXIV, 2018 - 2019 Budget

[10] The term 'pathways for patient care' or 'care pathway' describes the key stages, tasks or interventions set out in an integrated healthcare plan for a specific group of patients.

service user friendly facility, such as enhanced one-stop clinics.

4.2. Alongside enabling the transformation of health and care, the modernisation of the hospital will address the identified clinical needs for future services and issues within the estate infrastructure. The changes to be delivered by the Programme will offer a future-proofed layout that can more easily adapt to developments in health care, while delivering a more integrated model of care on the site and to meet emerging and changing needs or health care delivery methods, such as robotics.

4.3. The Programme will adopt an incremental and evolutionary approach in reconfiguring the hospital. It will be supported by other areas of work, such as digital transformation, which will enable more innovative care options and closer collaboration with primary and secondary commissioned providers through sharing of data. Likewise, the work to establish Community Hubs will inform this Programme, through reviewing where certain services are located in the future, which could potentially free up space within the PEH campus for other uses, or to reconfigure existing services to meet changing demographic and/or health care needs.

5. Evaluating options for the future of the PEH site

5.1. During the early discussions around the transformation of health and care consideration was given as to whether a hospital, other than an emergency care service, was needed at all and if so, what alternative options were available to achieve the strategic aims of the Partnership of Purpose. This included considering a complete rebuild of the hospital, either on the existing site or by relocating to another.

5.2. All of these options were discounted, as it was recognised that a hospital was needed for the Committee to effectively and efficiently fulfil its mandate and that it was essential if Guernsey was to continue to be economically competitive. Furthermore, given the scale of investment in the infrastructure in previous years, including the completion of the medical wing, rehabilitation wards and oncology, physiotherapy, occupational therapy, renal and cardiology units in 2010 at a cost of £36 million and in 2015 for the new Mental Health & Wellbeing Centre at a cost of £19 million, to relocate the hospital would not be cost effective or provide any significant additional public value.

5.3. However, at an early stage (2014-2015) it was recognised that all but the newest parts of the hospital infrastructure required some form of upgrading to meet the challenges identified at that time. As set out in this Policy Letter, the Committee has refined the proposals to modernise the PEH site in three phases over a ten year period.

6. Identifying objectives and outcomes

6.1. In 2018, a range of stakeholders were consulted to reaffirm what the Programme should seek to achieve and the following objectives were confirmed. It was agreed that the Programme should:

- Optimise the delivery of health and care services to provide good and measurable outcomes for the people of the Bailiwick of Guernsey;
- Optimise patient flow, recovery, outcomes and care delivery in the most appropriate environment;
- Accommodate future proofing using flexible space with a vision for future innovations and regulations in health and care;
- Enhance recruitment and retention of staff by providing a welcoming, modern, attractive and 'fit for purpose' environment for all;
- Optimise the use of our local facilities and clinical resources; and
- Optimise the use of our public health and care service by providing a choice of exemplary quality private services.

6.2. At the same time, the intended outcomes that the Programme should seek to deliver were identified as being:

- Improved safety of the hospital provision and, therefore, reduced clinical risk (Effectiveness);
- Increased flexibility of the infrastructure to enable opportunities for future improvements in care and changes in clinical practice, for example, through enabling the possible use of robotics (Effectiveness);
- Increased sustainability of services so that acute health care costs can be effectively managed, i.e. managing the rate at which the costs will increase and not an overall, real terms reduction in health and care costs (Economy);
- Enhancing the private health care offering maximising the use of the site and supports any future health care initiatives, such as health tourism (Efficiency);
- Reducing costs associated with sending islanders off-island for treatment (Economy);
- Improved patient experience by making new services easier to use, tailoring the experience for patients, making better use of digital services and simplifying administration for staff and individuals (Effectiveness);
- Improved patient outcomes through improved care pathways and by greater integration of services and service providers (Effectiveness); and
- Improved recruitment and retention through improving staff moral by being able to offer greater opportunities for staff development and progression in the future services and better staff facilities (Effectiveness).

6.3. Also, the overarching principles that will be used to guide the Programme were

identified as:

- **Flexible design** that allows changes in accommodation to support changes in demands of the health service;
- **Create an environment** which improves patient pathways and access to health services;
- **Redesign and adopt applications** that support service users in managing their own conditions more effectively, reducing patient stay and future demands; and
- **Engage** service users and partners, (primary, secondary and third sector), so that their views can be incorporated into any future plans.

6.4. Throughout the initial phase of the Programme, the main stakeholders were also engaged and consulted to inform the development of the Programme Business Case (PBC). The initial phase focused on confirming the strategic fit and alignment of the Programme against the above objectives and outcomes, identifying the preferred direction of travel including: the portfolio of projects; their respective priorities and indicative costs; and understanding any dependencies that will impact on the Programme.

7. Prioritisation of projects

7.1. During the above phase of stakeholder engagement and through the Programme Governance Board, a suggested portfolio of 12 main projects were identified for inclusion in the Programme based on the outcomes that they will help to deliver and which meet the agreed objectives.

7.2. These projects were evaluated by stakeholders against different criteria relating to the impact they would have on the delivery and efficiency of services; the beneficial impact for service users; the contribution the projects would make to addressing identified clinical risks, and/or the potential impact of the projects in facilitating new ways of working. The projects were categorised into three priority areas; Short, Medium and Long-term projects and were then further prioritised based on progress to date and whether the projects could run sequentially or concurrently. This is illustrated in Figure 1.

7.3. This list of projects is not exhaustive but provides an illustration of the work needed to address the issues and meet the Programme's objectives. It may be that, after further detailed work, one or more of these projects (particularly in the later phases) are not progressed or that other projects not yet identified are recommended for inclusion into the Programme at a later date.

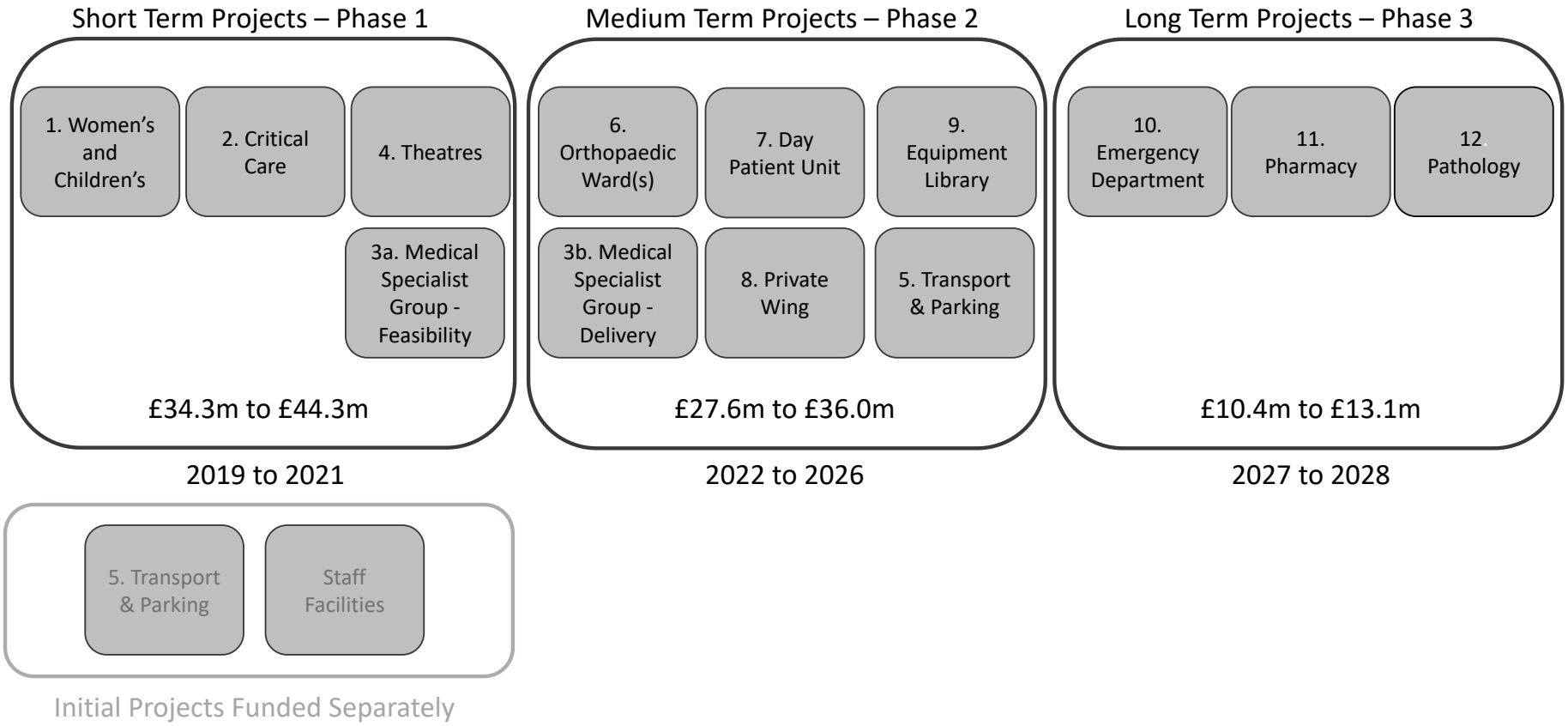
Phase 1 projects and funding requirements

7.4. Of those twelve identified projects, funding for four is requested at this time. Approval for the sum not to exceed £44.3m is sought from the Capital Reserve for the priority projects under Phase 1 and to progress the following activities:

- Commission consultants to quality assure the preferred way forward and carry out the detailed design work needed to prepare the development control plan for the Programme (anticipated to be in the region of £1.1m and included in the priority projects costs below);
- To put in place the necessary programme and project resources to manage the change around the works, including the feasibility study for the potential MSG relocation (£0.6m);
- Internal staff costs for Programme and project management resources to 2021 (£1.8m); and
- Deliver the priority projects: Women's & Children's (£10.3m); Critical Care Unit (£10.8m); and Theatres (£20.8m), as outlined in further detail below.

7.5. This is the maximum anticipated capital cost for the progression of the Programme and delivery of these projects, within a range of costs anticipated to be between £34.3m-£44.3m. Every effort will be made to minimise expenditure and to seek best value at all stages of Programme and project development and delivery.

Figure 1: Project phasing



* Some of the Medium Term and Long Term projects are classified as such not because they are relatively less important or less urgent than earlier projects, but because they are dependent on earlier stages of the Programme being delivered. For example, Orthopaedics (Project 4) is dependent on the relocation of the Women's and Children's into new accommodation to be delivered in Phase 1.

7.6. The four priority projects in Phase 1 are:

Project 1: Women's and Children's project – £7.9m – 10.3m

7.7. This project will primarily reduce clinical risk associated with emergency caesarean sections by moving the maternity ward closer to theatres, but it will also support a new children's pathway and will include an outpatient facility to reduce the admittance of children and young people unnecessarily into a ward environment.

7.8. The project consists of several elements including:

- Relocation of the maternity ward to be closer in proximity to theatres;
- Relocation of the paediatric ward to maintain proximity to maternity including a ligature free room to accommodate Child and Adolescent Mental Health Service (CAMHS) patients;
- Creation of an adolescent unit within the paediatric unit for older children that would be more comfortable in an adolescent setting; and
- Relocation of Neonatal Intensive Care Unit (NICU) to maintain proximity to maternity and paediatrics.

Project 2: Critical Care – £8.3m – 10.8m

7.9. To accommodate both the required increased number of critical care beds and theatre capacity to manage current and future demands, it is envisaged that a new critical care wing is required. Likewise, both this and the theatres project are inter-dependent, in that they have to happen together given their clinical relationships and physically need to be adjacent to each other. Provision of a newly-built wing also importantly allows for existing theatres to continue to be in use while construction is underway.

7.10. To address the recommendations made in several reviews of the CCU, this project will see the number of critical care beds increase from the current seven to 10 by 2021 and to 12 by 2031, and provide further opportunity to increase bed numbers, if and when required.

Project 3a: MSG relocation (feasibility study) - £0.5m - £0.6m

7.11. The first part of this project will carry out a feasibility study to determine if and where the MSG might co-locate onto the PEH campus and to seek agreement on the co-location. Any further capital funds needed for this project will be captured in Phase 2. Assessing the feasibility of such a move has to be concluded during 2019 to fit with the existing contractual arrangements in place for the MSG's current accommodation and to ensure that an alternative solution on the PEH site is deliverable within the required timescale.

Project 4: Theatres – £15.8m – 20.8m

7.12. This project will merge the theatre suites to allow more flexibility and efficiency in terms of staffing and potentially enable more surgical sessions to be carried out, if required. In particular, an increase in theatre capacity will enable more orthopaedic surgery to be conducted and help prevent future backlogs from building up. It is possible that, by creating more theatre capacity, that some procedures currently done off-island (for example, hip revisions) could be carried out on-island in the future.

7.13. Furthermore, additional theatre capacity would allow more day patient surgery to be carried out, reducing hospital length of stay as patients would not necessarily need to be admitted onto a ward. The impact has been estimated at 500 fewer overnight stays per annum, which would improve patient outcomes and reduce costs for both the Committee and MSG, whilst freeing up ward capacity.

7.14. To support the delivery of the above, Phase 1 will also involve more detailed design work being carried out with the support of an experienced strategic partner and to establish the required Programme resources to support the progression of the prioritised projects. This work will give more certainty around the Programme detail and will include:

- A review and quality assurance of the Programme's suggested approach, refining as needed to more effectively deliver the Programme's outcomes;
- Carrying out of health care planning activities including transition planning;
- Preparation of a detailed development control plan to deliver the projects, in line with the other transformational activities underway;
- Development of the necessary business cases to seek funding for the prioritised projects: Women's & Children's; CCU; and Theatres;
- Conduct a feasibility study on the location of MSG on the PEH campus;
- Implementation of the hospital travel plan developed with the Committee *for the* Environment & Infrastructure. The travel plan aspect has been funded from existing resources but any future capital spend for this project will be included in the subsequent phases;
- Refurbishment of staff changing facilities to be similarly funded by existing budget. Any future capital spend for this project will be included in the subsequent phases;
- Establish a Programme office with the appropriate resources to take the Programme forward and manage the change around the works;
- Development of detailed designs for each of the projects identified;
- Determining the specifics relating to the Programme's risks, benefits and costs; and

- Commencement of construction works for the prioritised projects and completion of the Women's and Children's project.

7.15. The Committee further tentatively proposes that the work to complete the Programme should be broken down into two further phases of development.

Phase 2 (2022-2026):

7.16. Phase 2 moves into the delivery of the next set of prioritised projects, with capital funding being sought from the States towards the end of Phase 1, subject to the continued prioritisation of the Programme within the capital portfolio. At the same time, delegated authority will be sought to be given to the P&R to release funding following approval of the outline business cases for the relevant projects, as determined during the detailed design work carried out in Phase 1. At this time, these projects are estimated to be below the £10m delegated authority limit and so approvals could be sought individually, in due course, depending on the development control plan agreed.

7.17. It is estimated that Phase 2 will seek between £27.6m – £36.0m from the Capital Reserve to cover the infrastructure and resource costs for that phase and deliver the next set of projects, which are anticipated to be as follows:

- Orthopaedic wards;
- MSG relocation – to be confirmed in Phase 1;
- Day Patient Unit – admissions and discharge;
- Private wards;
- Transport and parking – needs to be determined in Phase 1; and
- Equipment library and store rooms.

Phase 3 (2027-2029):

7.18. During Phase 3 the Programme's work will come to a close, the projects will be finalised and the full profile of benefits to be realised and costs to be incurred will be established. Any funding to support this phase will be sought towards the end of Phase 2.

7.19. Phase 3 will seek the remainder of the funding estimated to be £10.4m - £13.1m from the Capital Reserve to finalise the last of the projects: Emergency Department; Pharmacy and Pathology.

Programme summary

7.20. Although the States is asked to direct the Committee to progress a full Programme of works to modernise the PEH site, Phases 2 and 3 will be subject

to separate and more detailed request to the States to approve the capital requirements at a later date.

7.21. An indicative summary of the objectives, benefits, range of anticipated costs and timeframes for each project, across each of the proposed phases for the Programme, are set out in Table 1 below.

7.22. In line with best practice, 15% has been added to the indicative figures presented below to reflect optimism bias[11], which will be refined as the Programme progresses. This does not include inflation costs.

[11] A means to redress the demonstrated, systematic, tendency for project appraisers to be overly optimistic by adjusting the estimates for costs and benefits, based on empirical evidence.

Table 1: The illustrative project portfolio

Phase	Project	Objectives	Benefits	Costs	By
1	1) Women's and Children's	• Relocate maternity, Paediatric and Neonatal units to reduce time and distance from theatres, that will reduce clinical risks • Support an extended outpatient service • Improve facilities for adolescents • Support staff training	• Fewer breaches of National Institute for Health and Care Excellence (NICE) guidelines (emergency caesarean sections) • More outpatient services delivered • Dedicated spaces for adolescents with mental health conditions and general adolescent patients • Increased efficiencies around staff training • Increased staff retention	£7.9-10.3m	2020
1	2) Critical Care Unit	• Manage increasing demand by increasing capacity through building a new unit • Prevent risks relating to postponement of elective surgery • Meet current regulatory standards	• Increased flexibility of areas • Increased staff efficiencies • Reduced surgery cancellations/ postponements due to a lack of critical care capacity • Improved patient dignity • Reduced clinical risk	£8.3-10.8m	2023
1	3a) MSG project (feasibility)	• Identify and agree a future location for MSG on the PEH campus	• Increased collaborative working with the acute hospital • More joint appointments and one stop clinics • Increased operational efficiencies	£0.5-0.6m	2019

Phase	Project	Objectives	Benefits	Costs	By
1	4) Theatres - expand and refurbish	• Manage increasing demand by expanding the theatres to increase capacity and refurbish the existing theatres to increase flexibility and improve the standards of all theatres • Supports merging of theatres and Day Patient Unit (DPU) facilities	• Increased theatre capacity and flexibility • Reduced length of hospital stay • Reduced number of overnight stays • Reduced postponement of surgery • Increased staffing efficiencies • Improved patient outcomes	£15.8-20.8m	2023
1	Refurbish staff changing facilities	• Improve staff changing facilities	• Improved standard of facilities • Increased numbers of staff who walk, run or cycle to work (reducing parking congestion) • Improved staff retention and recruitment • Improved staff morale	£0.4m*	2019
1	Transport and parking	• Create additional temporary parking to house the Programme contractors	• Increased temporary parking	£0.25m*	2020
2	5) Transport and parking	• Design a sustainable long-term parking solution that meets the needs of service users and staff and supports the Healthy Living Strategy	• Improved accessibility for service users and staff	£0.2-0.3m	2026

Phase	Project	Objectives	Benefits	Costs	By
2	6) Orthopaedic wards	• Improve patient safety and infection prevention • Improve the ability of the wards to meet future demands for surgery	• Increased compliance with best practice • Increased capacity and flexibility • Increased operational efficiencies • Reduced cancellations of planned surgery	£6.3-8.3m	2021
2	3b) MSG project (relocation)	• (Subject to the findings of the feasibility study) • Relocate the MSG onto the PEH campus	• Increased collaborative working with acute hospital and one stop clinics • More joint appointments Increased operational efficiencies	£7.6-10.1m	2024
2	7) Day Patient unit (admissions and discharge)	• Locate DPU closer to new proposed theatre suite • Develop dedicated admission and discharge areas to manage increasing demand through increasing day surgery capacity and enhancing surgery pathways	• Increased operational efficiencies • Reduced length of hospital stay and reduced overnight stays • Reduced pressure on in-patient beds • Reducing postponement of surgery • Improved patient outcomes	£3.7-5m	2023
2	8) Private ward redesign	• Relocate and improve the private patient offer • Increase use by patients with private medical insurance and those currently required to travel off-island for private surgery	• Increased income from private patients • Increased capacity to support health tourism	£5.1-6.6m	2023

Phase	Project	Objectives	Benefits	Costs	By
2	9) New Equipment library	• Establish a new inventory style system for equipment management within the PEH • Support efficient stock control, service and maintenance of medical equipment • Support increasing demand and maximise efficient use of equipment	• Improved sharing of equipment within wards and departments Reduced the number of procurement requests and overall procurement cost • Improved patient safety • Potential reduction in equipment purchases	£3.6-4.6m	2027
3	10) Emergency Department (ED)	• Manage increasing demand through accessing an overnight assessment unit	• Reduced number of ED patients admitted to hospital • Reduced number of waiting time breaches • Improved patient privacy and dignity	£4.1-5.4m	2026
3	11) In-patient Pharmacy	• Improve and expand current facilities • Improve efficiency and productivity	• Reduced dispensing errors • Increased number of items dispensed	£1.9-2.5m	2027
3	12) Pathology	• Improve conditions to enable efficiencies in the laboratories: Pathology and States Analyst	• Increased operational efficiencies • Improved service quality	£3.7-4.5m	2027

* Funded from existing resources

8. The preferred approach

8.1. The Committee's preferred approach can be summarised as follows:

- The hospital site should be modernised to accommodate current and future health care demands;
- The modernisation should address all identified clinical and estate infrastructure risks and issues;
- A development control plan should be produced setting out a detailed and defined set of projects to modernise the site in line with the Programme's objectives and to minimise the impact on the delivery of services. The funding required for this is incorporated into the priority projects;
- The Programme should be divided into phases to ensure it is manageable and allows for innovations and changes alongside any advancements in health care;
- Phasing the Programme spreads out the capital funds needed and the impact on the local construction industry across several years;
- Funding for each phase of the Programme should be sought from the States, with a request to the States for delegated authority to be given to P&R to approve the capital investments required to deliver the Phase 1 projects;
- Phase 1 projects should be progressed and related funding released following consideration and approval by P&R of the detailed business cases;
- An appropriate team of Programme and project management resources should be in place to support the Programme during this and future phases; and
- A strategic partner should be commissioned to assure the suggested way forward for the Programme and carry out the detailed design work to progress the Phase 1 projects, including the production of a development control plan.

8.2. It is expected that this approach will ensure that the Committee can, through the hospital site:

- Continue to deliver acute hospital-based services that meet the seasonal and population demands whilst refurbishment and improvement works are underway;
- Continue to deliver essential emergency services on-island that reduce admissions;
- Create an infrastructure for hospital-based services that can respond to changing practices and service models;
- Meet technical and clinical standards and best practice for health care services;
- Deliver within the current low waiting time targets;
- Enhance the private health care offering;

- Support the delivery of the Partnership of Purpose;
- Reduce off-island costs by expanding on-island services;
- Achieve best value for money by maximising the utilisation of the site;
- Improve patient experience by making new services easier to use, tailor the experience for patients, make greater use of digital services and simplify administration for members of staff and individuals;
- Enable the service to demonstrate a deeper understanding of its patients whilst increasing flexibility in handling future regulatory changes such as updating clinical practice, medicine delivery or building design;
- Allow investment in the functions that will deliver the greatest value to the islands, including providing a high quality private patient offering;
- Provide the infrastructure to support greater opportunities for staff development and progression in the future service, which will support recruitment and retention and staff morale; and
- Allow for clinical pathways to be redesigned to improve services for both service users, members of staff and partners.

8.3. Work to be carried out in the next phase will further refine and quantify the full benefits by measuring the impact of the proposed changes to be delivered by the Programme.

9. The request for delegated authority to the Policy & Resources Committee

9.1. The Committee is asking the States to agree that delegated authority be given to P&R to approve the required funding for Phase 1 of up to £44.3m. This will allow the first three critical projects to start before 2021 and allow Project 3a (a feasibility study for the relocation of the MSG) to proceed. It will also fund the specialist and Programme resources needed to progress and effectively manage the Programme and enable the Committee to quickly move forward with these critical projects to address some of the highest areas of clinical and estate risk. The requirement to produce detailed business cases for each project will still apply, as will the need for the relevant assurance reviews to be presented for P&R approval. In the case of the resources to support the Programme, the funds for these will be released upon approval by P&R of a sufficiently detailed resource request.

9.2. The rationale for making the request to the States for this approval mechanism for the Phase 1 projects combined is due to the interrelated nature and shared priority status the Committee affords to these projects. Both the critical care and theatre projects are inter-dependent and are best delivered together given their clinical relationships and the need for them to be adjacent to each other. Provision of the proposed newly-built wing will also notably allow for existing theatres to continue to be used during construction works, minimising the impact on service delivery. Through this combined approach there may also be

efficiencies in the use of resources associated with progressing the priority projects along a similar timeframe, rather than in a more piecemeal way.

10. Programme risks

10.1. There is a recognition that there are specific risks to the Programme and that further work on defining these and establishing their mitigating actions is needed during Phase 1. It is also recognised that this Programme is similar in scale to previous infrastructure developments at the hospital site over the last 10 years that the Committee (and predecessor Boards) has successfully delivered.

10.2. The main Programme risks to date have been assessed and include:

- Political support for the Programme approach set out in this Policy Letter is not received, resulting in no funding being approved to progress with the detailed design work and the immediate priority projects, delaying the modernisation of the hospital and increasing the likelihood of clinical issues occurring in these areas;
- The political landscape changes resulting in a change in political support and direction impacting costs, time and quality;
- Any delays in acquiring the suggested Programme resources could create delays to the delivery of the essential projects that could result in unacceptable levels of clinical risk in some areas that could potentially lead to life threatening implications for service users;
- The discovery of unknown asbestos causes delays and extra cost to the Programme;
- The Programme is not prioritised in the next round of capital prioritisation resulting in delays or non-completion;
- Brexit causes a devaluation of sterling that impacts currency exchange rates, which could result in higher than predicted capital expenditure;
- Planning approval for the intended use of the site may not be given, which could impact the development control plan and restrict the future effectiveness and flexibility of the site and therefore the achievement of some of the Programme's objectives; and
- The costs for the essential projects within the Programme may exceed the allocated budget possibly resulting in delay or non-completion.

11. Implementation plan

In line with best practice, a Programme Board has been established to oversee and monitor the progress of the Programme. The Hospital Modernisation Programme Board will consider the need to balance the delivery of change alongside business as usual and continue to report regularly to the Transformation of Health & Social Care Governance Board, who will, in turn,

report on progress to the Committee.

11.1. The Programme has been divided into phases to ensure that it is manageable and to support appropriate monitoring and decision making. An indicative Programme plan with high level costs, timeframes and projects to be commenced in each phase can be seen in Figure 1 above.

11.2. The early stages have focused on identifying the preferred direction for the Programme, prioritising the portfolio of projects, establishing indicative costs and an outline Programme plan and understanding the dependencies of the Programme.

11.3. The Programme Board will be responsible for ensuring that all stakeholders including the States and P&R are kept informed of progress. Although it will be some time before the building works begin, it is recognised that a detailed communications and engagement plan is needed to ensure that all stakeholders, including service users and members of staff, are made fully aware of the changes that will be taking place and how they might be affected. The Programme Board is also responsible for mitigating risks, or for escalating them, as necessary.

11.4. Given that the hospital will continue to deliver health and care services while the building and refurbishment works are taking place, it will be essential to ensure that service provision is not hampered and that disruption is kept to a minimum. This will be an important consideration to be factored into the detailed design work.

11.5. As with other infrastructure and change programmes this Programme will be managed according to States' guidelines and best practice such as: Managing Successful Programmes framework; Prince2 project management approach; and using the Agile change management method.

11.6. The Programme is an important part of the transformation of health and care and will continue to work alongside any dependent Programmes and active areas of work, including the Community HUB Programme, the Digital Transformation Programme and other Partnership of Purpose initiatives.

11.7. In line with best practice and the States agreed capital approach, the PBC will continue to be reviewed and assured throughout its lifecycle and each project business case will be reviewed in line with the Five Case Model approach. The independent assurance reviews will provide confidence to stakeholders that the Programme and projects will achieve their objectives, and realise the expected benefits.

12. Funding requirements and resource implications

Funding already invested into the Programme

12.1. To date, the Committee has spent circa. £352,000 to support the initial phase of the Programme with the necessary Programme and project resources to evaluate the current and future requirements and start the scoping work on the high priority projects, data and financial support, a Programme Assurance Review, communications and on consultant support to the development of the PBC. This has been authorised by P&R and released from the Capital Reserve.

Ongoing revenue implications

12.2. It is to be expected that the delivery of such an extensive capital programme will impact on the Committee's annual revenue requirements. However, at this time, only a high level indication can be drawn based on the current evidence and projections, which will be tested and validated in the next phase. The potential revenue impact of the Programme is estimated to be between £2.9m and £3.4m per year (2021 to 2029), which arises from the possible additional staffing requirements needed to support the proposed increase in beds and overheads, such as housekeeping and utilities. However, the Programme may also offset some of the additional costs that might otherwise be incurred in other areas, such as within the off-island revenue budget. These potential costs may also be offset by any financial benefits that the Programme delivers, for example, it is possible that by increasing private patient activity over the same period the income from this service would also increase. As an indication only, an increase of 10% in the number of private patients would result in additional income of approximately £780,000 per year. Further modelling would be required to ascertain whether this is a deliverable objective.

12.3. The details of the full revenue implications and financial benefits will be determined once the design work has been completed in the next phase. However, increasing demand will inevitably result in the provision of health and care services costing more so, even without any capital investment in the site infrastructure, there will be additional revenue funding requirements over and above those suggested by this Programme, purely based on the forecast demand increases.

12.4. It is hoped that providing new facilities that can more flexibly respond to changing demands will help to minimise the impact of the demographic challenges and the resulting demand on health care provision on the Committee's revenue requirements.

12.5. This Policy Letter is not seeking additional revenue funding for the Programme. Should it be determined during the next phase that the additional revenue funding needed cannot be met from existing resources or offset by the financial benefits of the Programme, an application will be made through the normal annual budget process.

13. Legal implications

13.1. If the feasibility study into the co-location of MSG onto the PEH campus proves that it is viable for MSG to locate itself onto the hospital site, changes may need to be made to the Secondary Healthcare contract.

13.2. It is not expected that there will be any legislation changes needed to progress this Programme.

14. Other related matters

Partnership working with the States of Jersey

14.1. Opportunities exist through this Programme, and the recently established Channel Islands Joint Working Group for Health and Care (2018), to explore further ways to collaborate and work in partnership with the States of Jersey. There are recognised similarities in the challenges that both islands face relating to their health and care systems and Jersey is likewise seeking to transform the landscape of their health and care services.

Review of the funding of health and care services

14.2. As part of the 2017 Budget (Billet d'État XXVI of 2016[12]), P&R set out its intention to work with the Committee *for* Employment & Social Security to reform the way in which health and care services are funded in the Bailiwick. This work is underway and it is expected that a Policy Letter will be presented to the States in 2019. The changes proposed have implications for this Programme in that if the Committee becomes solely responsible for all funding relating to health and care services, this would be an important step in accelerating the transformation of health and care.

[12] Billet d'État XXVI of 2016 - 2017 Budget

15. Conclusions and recommendations

15.1. This Policy Letter sets out the rationale for the estimated 10 year Hospital Modernisation Programme to address some of the most pressing clinical and estate risks at the PEH site. It describes a phased approach for the Programme and asks the States to delegate authority to P&R to approve the capital funding required for the priority projects in Phase 1 of the Programme. This method is recommended by the Committee as it does not remove the necessary and prudent assurance requirements set out in the States' capital portfolio approach, but will enable the Committee to progress swiftly with the priority projects and progress with the transformation of health and care system.

15.2 The Committee recommends the States to approve the Propositions to which this Policy Letter is attached.

16. Compliance with Rule 4 of the Rules of Procedure

16.1. Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

16.2. In accordance with Rule 4(1), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in Law why the Propositions should not be put into effect.

16.3. As required by Rule 4(3), the Committee has included Propositions which ask the States to open capital votes of a maximum of £44.3 million to fund Phase 1 of the Programme. Further details about the financial implications are set out in Section 7 of this Policy Letter.

16.4. In accordance with Rule 4(4), it is confirmed that the propositions above have the unanimous support of the Committee.

16.5. Furthermore, the Committee confirms that in accordance with Rule 4(5), the Propositions relate to the duties of the Committee to protect, promote and improve the health and wellbeing of individuals and the community.

Yours faithfully

H J R Soulsby
President

R H Tooley
Vice-President

R G Prow
D A Tindall
E A Yerby

R A Allsopp, OBE
Non-States Member

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* HEALTH & SOCIAL CARE

HOSPITAL MODERNISATION PROGRAMME

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port

11th February, 2019

Dear Sir,

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(2) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee *for* Health & Social Care requests that the propositions contained in its policy letter entitled 'Hospital Modernisation Programme' dated 11th February, 2019 be considered at the States' meeting to be held on 27th March, 2019.

This request is made on the basis that the agreement of the States to the proposed 10 year modernisation Programme will enable urgent and important works to upgrade, modernise and extend the hospital to progress at the earliest opportunity and to realise the intended benefits of the Programme for the community.

A timely debate by the States is also essential to ensure that the resources to further the Programme can be engaged to complete the early design work and to move forward as quickly as possible to address some of the highest areas of clinical and estate risk. In particular, work is currently underway to recruit a Strategic Partner and receiving States approval for the Programme would give certainty to this important appointment.

Yours faithfully,

H J R Soulsby
President

R H Tooley
Vice President

R G Prow
D A Tindall
E A Yerby

R Allsopp, OBE
Non-States Member