

The National Paediatric Hospital Development Board responds to the Government's approval of the construction investment decision for Phase B of the construction of the new children's hospital

The National Paediatric Hospital Development Board and Executive acknowledge the significant increase in projected cost and outline how a number of factors combined have contributed to additional construction costs for this long-awaited project

Hospital remains on track to be completed by the end of 2022

The National Paediatric Hospital Development Board (NPHDB) today responded to the approval by Government of the further construction investment decision required to complete construction of the new children's hospital. This followed the acceptance by Government of a recommendation made by the NPHDB to award the contract for the above ground construction (Phase B) of the new children's hospital to BAM.

The contract signed with BAM in August 2017 allowed the below ground works (Phase A) to commence immediately. Prior to proceeding to award of Phase B, the above ground construction, as per contract terms and the original approvals from the Department of Health, a final cost had to be determined and subsequently approved and signed off by Government.

The NPHDB tendered the children's hospital contract in 2016 using a two-stage procurement process. This process enabled tendering to happen prior to the completion of full detailed drawings for Phase B meaning that construction could start two years earlier than if a traditional procurement strategy was deployed and therefore the bulk of costs could be secured at 2016 levels. As tenders were based on preliminary stage 1 drawings for the build, the time over the past 15 months has been used to design and complete the detail design, itemise the quantities and price at 2016 tendered rates, identify and mitigate against any potential risks in the construction process.

The two-stage process has facilitated the objective of commencing and completing the construction of the hospital as early as possible, however, significant additional construction and associated costs have now been identified which have led to a higher overall cost for the project than what was originally envisaged and approved when the business case was submitted to Government in early 2017.

The key cost drivers include; finalisation of the detail e.g. detailing and itemising quantities of all materials and fixtures required in each of the 6,000 rooms; statutory issues – specifically changes in fire regulations following the Grenfell fire and the need to add additional sprinklers following a decision by An Bord Pleanála. Engagement with clinicians on final design was completed and any omissions in the original design were identified and costed; the impact of the additional 9 months on the programme across construction, increased construction labour as well as additional claims from the contractors to reflect changes in scope. In addition, when the business case was completed, it had been anticipated that the tender price

could be reduced if alternative materials were sourced and identified – the proportion of savings targeted was not achieved.

As per the terms of the contract, with the support of an Independent Expert a final cost has recently been determined and formed the basis of the recommendation to the HSE and Department of Health. This process has been protracted, rigorous and challenging. The Board has sought to keep costs as low as possible in this highly inflationary construction market however; the final cost is higher than had previously been forecast and higher than the approved investment figure approved by Government in 2017.

While the Board considered a range of alternative options, its view is that the recommendation approved today – while at a higher cost than forecast - will deliver the hospital at the best price possible in the current environment, and within the shortest timeframe.

Commenting on the announcement today, Chair of the NPHDB Board, Mr. Tom Costello said: *“We acknowledge the decision by the Government in line with the recommendation by the Board of the NPHDB to award the Phase B contract to BAM. We did not make this recommendation lightly and fully appreciate the significant cost difference between the first investment decision and the one approved by Government today. We believe that the approval of this recommendation will deliver upon the vision of creating a world class children's hospital for generations to come. There have been a number of challenging factors which, when combined, have resulted in additional costs for this long-awaited project and we will fully co-operate with the independent review of that process. The Board will also comply with the requirement to provide on-going reassurance to the HSE, Department of Health and Government on the delivery of Phase B of the project within budget and timescale.”*

John Pollock, Project Director, NPHDB said: *“Today's decision gives us approval to progress the project by instructing the current contractor to proceed with Phase B of the works, the above ground construction of the new children's hospital. The past number of months have involved a detailed and protracted process, completion of detailed design and a very careful overview of all aspects of the design. The team at the NPH acknowledges the fact that the construction costs associated with the project have risen to the extent that they have, however we believe that all steps that could be taken to mitigate current and future costs have been taken and that we now have an agreement in place with the contractor which will ensure that a quality project will be delivered to the people in Ireland, and in the shortest timeframe possible.”*