



Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive

HSE Board Briefing Template

Subject:

- I. A new 35-year lease of HSE lands at Connolly Hospital to the Royal College of Surgeons Ireland (RCSI)
- II. A development agreement for the construction of accommodation for Medical Diagnostics Labs for Connolly Hospital which is included in the RCSI development.
PRG Ref: E/L/0821/2313

Submitted for meeting on: 7 December (EMT), 13 December (ARC), 17 December 2021 (Board)

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Why is this information being brought to the Boards attention?

- i. As the 35-year lease to the RCSI will be an upfront rental payment and below market value approval of the HSE Board is required.
- ii. As the value of development agreement with the RCSI for the Medical Diagnostics Labs for Connolly Hospital is above €2m approval of the HSE Board is required.

Is there an action by the Board required, if so please provide detail?

These transactions were previously approved at EMT and ARC it is recommended that the HSE Board approve the transactions as outlined in the paper.

Please indicate which of the Board's objectives this relates to;

- The development and implementing of an effective Corporate Governance Framework, incorporating clinical governance and a performance management and accountability system; **X**
- Developing a plan for building public trust and confidence in the HSE and the wider health service;
- Ensuring the HSE's full support for and implementation of the Government's programme of health reform as set out in the Sláintecare Implementation Strategy;
- Exercising effective budgetary management, including improving the value achieved with existing resources and securing target saving, with the objective of delivering the National Service Plan within Budget. **X**

Brief summary of link to Board objectives.

It is proposed to enter into a lease for a period of 35 years with the RCSI (as in the Royal College itself) in respect of HSE lands at Connolly Hospital for the development of an RCSI Education and Research Centre Building for an upfront rental payment of [REDACTED]

As this lease involves an upfront rental payment and is below market value Board approval is required.

It is also proposed to enter into a development agreement with the RCSI for the construction of accommodation for Medical Diagnostics Labs for Connolly Hospital on the second floor of the proposed RCSI Education and Research Centre Building. The Net cost of this transaction is [REDACTED] (excl. VAT) which reflects the benefit of the rental income of [REDACTED]

As this transaction exceeds €2m Board approval is required.

Background - provide context in order to ensure that the Board fully understand the issue.

The RCSI (as in the Royal College itself) wish to develop an Education and Research Centre on land which is owned by the HSE. The purpose of the project from an RCSI perspective is to provide a new building for the delivery and enhancement of its Graduate Entry Medicine Programme (GEM). The GEM course is an accelerated 4 year medicine course delivered by RCSI for entrants who have already achieved a qualifying degree in the sciences. On year 2 of this course the students spend the full academic year at Connolly Hospital where they receive their clinical training in the hospital and teaching and tutorials in the 'GEM' Building. The existing RCSI facility was built in 2007 and is now not fit for purpose as the course has grown from an initial intake of circa 50 students to circa 90 students per year currently enrolled. The new building will provide increased teaching and faculty space, a dedicated lecture theatre and improved student facilities. The building will have a small research element.

Separately the HSE needs to develop new Medical Diagnostics Labs to replace the existing lab at Connolly hospital.

A proposal has been developed between the HSE and the RCSI to provide a single building to accommodate these two requirements on Connolly Hospital land made available by the HSE. This maximises the utilisation of the site on the Connolly Hospital campus. The site has been identified for these purposes in the master plan for the overall campus. The replacement of the current lab building will enable future development of the campus.

The current lab facility is a combination of a 60-year-old building with three separate extensions of various age and quality. The building lacks essential features, energy efficiencies, and deters recruitment and retention of staff. Replacing the sub-optimal building with a purpose designed new facility for this service will improve the efficiency, quality and affordability thus ensuring improved delivery and ability to meet the challenges for the future.

The proposed RCSI Education and Research Centre is the ideal opportunity to develop a Medical Diagnostics Lab at the hospital. The HSE will provide a [REDACTED] lease to the RCSI for land to facilitate the construction of a new three storey RCSI Education and Research Centre building.

The building will accommodate faculty offices, administrative facilities, auditorium and classroom, and entrance lobby and café on the ground and first floor (RCSI facilities). The second floor will contain medical diagnostics labs with ancillary lab spaces and ancillary offices, meeting rooms and staff facilities (HSE facilities). The proposed building provides a total of 44,132sq ft of gross floor area, including the external roof terrace and replacement boiler house. The dedicated space for the medical diagnostics labs is 14,529 sqft approx. The overall cost of the building is [REDACTED] (excl. VAT). The HSE's share of the development costs is [REDACTED]

Under the lease the RCSI will pay a total combined rent over the [REDACTED] term of [REDACTED] to the HSE as an upfront rental payment. This amount will be advanced to the HSE in full at the commencement of the lease. This rental payment is considered to be below market rental rate. The estimated market rent for the site is in the range of [REDACTED] per annum. The rent proposed is [REDACTED] per annum. Other factors to be considered is the upfront payment of the rent for the full term and the HSE medical diagnostics labs represents 33% of the developed area on the site. These factors justify the discounted rent to RCSI.

The HSE will offset the capital cost of the Medical Diagnostics Labs with the upfront rental payment from the RCSI. This rental payment of [REDACTED] will offset the total Cost of this transaction and have a Net Cost of [REDACTED] (excl. VAT). These costs are to be spread out over years 2021 to 2025.

Highlight any implications that the Board should be made aware of in its consideration such as;

- **Current status**
Awaiting Board Approval
- **Budget**
No Budget implications for lease – this is a long lease by the HSE to the RCSI
Capital Finance (Estates): The overall project cost, including additional costs such as equipping, less the rental payment of [REDACTED] is [REDACTED] (excl. VAT).
- **Source of Funding**
The capital cost of the project is included in the HSE Capital Plan 2022.
- **Resources**
Not applicable
- **Impact to delivery of services**
Construction of a new lab will ensure that a compliant physical environment is provided to deliver the required pathology service for Connolly Hospital.
- **Corporate Plan**
Aligned with HSE Corporate Plan & Service Plan
- **Sláintecare**
Aligned with Sláintecare on delivery of services.
- **Social factors (e.g., impact on specific area such as the elderly, disabilities)**
Positive impact on acute services.
- **Technological factors**
Not applicable
- **Legal factors**
An Agreement for the lease will be executed between HSE and the RCSI for the site and building. The lease will include rent provisions to protect the HSE's title to the land. The building ownership will remain with the HSE but the RCSI will have continued renewal rights to extend the term of the lease. In the draft Lease all rent for the 1st term of [REDACTED] is paid upfront via the [REDACTED] payment. There is also agreed that the 1st renewal of the lease will be on the same terms subject to CPI from the Term Commencement Date to the renewal date, and every 5 years CPI review during the second [REDACTED]. All subsequent renewals after 70 years will be subject to Market Rent. The RCSI are able to assign the Lease to any 3rd party but only on HSE consent and the use is restricted to education on their two floors.
- **Other Factors**
The provision of space on hospital campus for the development of education and training facilities by the hospital's academic partner is a well-established practice in all teaching hospitals.

Conclusion

Not applicable

Recommendation

It is recommended that the HSE Board approve the transactions as outlined above.