



HSE Board Briefing Template

Subject: Proposed acquisition of [REDACTED] [REDACTED]
Submitted for meeting on: 8 November (EMT), 10 November (ARC), 25 November 2022 (Board)
Name & title of author: Dean Sullivan, Chief Strategy Officer
Why is this information being brought to the Board's attention? Approval of the HSE Board is required as the total value of this transaction is above €2m.
Is there an action by the Board required, if so please provide detail? This transaction was approved by EMT and ARC, it is recommended that the HSE Board approve the proposal for the acquisition [REDACTED] [REDACTED] The proposed acquisition of this prominent newly built block in close proximity to The Rotunda Hospital is in lieu of the proposed lease of Parnell House, previously approved by the Board in December 2021, Decision no. 171221/54 Parnell House Lease.
Please indicate which of the Board's objectives this relates to; <ul style="list-style-type: none">• The development and implementing of an effective Corporate Governance Framework, incorporating clinical governance and a performance management and accountability system;• 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; X• 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. The cost of this proposed transaction is [REDACTED] for acquisition of [REDACTED] [REDACTED] Approval of HSE Board members is required as the property transaction is valued above €2m.
Background - provide context in order to ensure that the Board fully understand the issue. The Rotunda Hospital is the busiest maternity hospital in the State, with over 9,000 births in 2021. The Rotunda Hospital is also a provider of gynaecology services for the Northside of Dublin and regionally in Leinster, with over 2,500 gynaecology patients currently on its waiting list. As previously advised to ARC and the Board, it is planned in due course to co-locate the Rotunda Hospital with Connolly Hospital, in line with Government policy. The Department of Health indicates that the Rotunda Hospital may be the last of the four remaining 'stand-alone' maternity hospitals Nationally to co-locate. On this basis, it is reasonable to anticipate that the Rotunda Hospital will remain at Parnell Square for at least another 20 - 25 years, given considerations of capital capacity and the timeframes to deliver large complex projects in Healthcare. Significant capital investment is required now to reduce clinical risk and to address deficiencies in infrastructure in order to ensure that clinical activity is accommodated in safe, compliant and appropriate conditions prior to

co-location on the Connolly Hospital campus. It should be noted that, even with shorter co-location timeframe scenarios (i.e. 12 to 15 years), there would still be a requirement for investment of this order to facilitate the minimum improvements that are needed now to address existing deficiencies.

Issues & Risks

The existing hospital buildings cannot accommodate the current level of activity. Neither do the hospital buildings comply with modern healthcare standards.

The main identified issues and risks are as outlined below:

- The Neo-natal Intensive care unit (NICU) is over-crowded, and this has been cited by the Hospital as a significant ongoing clinical risk factor
- “Nightingale” style wards with over 50 postpartum women sharing just four toilets and bathrooms;
- Inadequate number of delivery rooms (Currently 9, which are in substandard condition) to appropriately accommodate the current and anticipated number of patients
- CSSD / decontamination unit and the out-patient department are suboptimal, compromised, & non-compliant
- The substandard accommodation impacts on patients and staff and limits the Hospital’s ability to recruit and retain nurses and midwives

In this context, the Lease for Parnell House was recommended to and approved by the HSE Board in December 2021, to accommodate outpatient and ambulatory services for the Rotunda hospital, thereby allowing the decant of this activity from the existing Rotunda campus, which will in turn facilitate development of critical care and other facilities at the hospital.

Parnell House Lease – due diligence

Since the December 2021 Board approval, the Design Team for Parnell House has uncovered a number of issues, previously unforeseeable, as part of the detailed ‘due diligence’ process before entering into the proposed lease. These issues, including Fire Safety and Structural concerns with both stairs cores, the need for an element of roof replacement, and extensive works to bring the building to an A3 BER, all attracting significant additional fit out costs. In this context, a further review of alternative options was undertaken in parallel with the preparation of relevant Reports for Parnell House.

The Parnell House Lease remains Subject to Lease/ Lease Denied and there will be no additional costs for not proceeding with Parnell House Lease other than the Design Team fees and surveys expended to date on Parnell House of approx. [REDACTED]. Some of the design work carried out to date will benefit the design of the fit out of the [REDACTED] Building if this alternative proposal is approved.

Reviewed Options

Two additional options that were not available when the Lease of Parnell House was proposed have been explored as well as re-examining options within the Rotunda Hospital Site which are outlined below. The proposed option of acquiring the [REDACTED] has only come to market recently and was not available for consideration at the time of the original recommendation to the Board in December 2021. The full list of currently available options are outlined below:

Option 1 Lease of Parnell House, 13-15 Parnell Sq.

- Five storey over basement of approx. [REDACTED]
- A number of unforeseen issues have arisen including considerable works to achieve A3 BER, Net Carbon Zero enablement, and replacement of stairs.
- Projected Fit-out cost have increased to [REDACTED]
- Lease cost remains at [REDACTED]
- Overall cost [REDACTED]

Option 2 Acquire newly built [REDACTED]

- Newly built six storey building of approx. [REDACTED]

- No compliance issues identified by Design Team as newly built to current day standards.
- B1 BER currently with A3 BER and Net Carbon Zero enabled readily achieved with fit outworks.
- Floorplates provide more efficient layouts for clinical use.
- Considered suitable for use as Maternity Outpatient Department; Paediatric Outpatient Department; Colposcopy; Medical Social Work and Perinatal Mental Health, which frees up the site on the Rotunda Hospital campus for proposed Critical Care Wing
- Long Term City Centre satellite facility for Outpatients department or other use when the 'co-location' move to Connolly Hospital progresses
- Supports regeneration of North Inner City
- Acquisition cost [REDACTED]
- Projected Fit-out Costs of [REDACTED]
- Overall cost of [REDACTED]
- HSE will have acquired significant standalone asset
- Provides rental income of [REDACTED]

Option 3 Construct New outpatients department on Rotunda Hospital Site as enabling project

- Significant Planning permission risk given design teams selected site is adjacent to Garden of Remembrance
- Significant timeframe impact on the delivery of Critical Care Wing
- Considerable disruption on a very tight City Centre Acute site during construction

Option 4 Construct temporary outpatients department on Rotunda Hospital Site as enabling project and include in brief for Clinical Care Wing

- Significant Planning permission risk given design teams selected site is adjacent to Garden of Remembrance
- Significant timeframe impact on the delivery of Critical Care Wing
- Considerable disruption on a very tight City Centre Acute site during construction
- Double move is costly and disruptive

Option 5 Acquire [REDACTED]

- Protected four storey over basement built c. 1795 of approx. 2,200sqm (23,680sqft)
[REDACTED]
- Does not readily lend itself to meeting A3 BER rating or Net Carbon Zero.
- Access issues to Front and rear of building
- Design Team ruled out the suitability of this building.

Recommended Option

The proposed acquisition of [REDACTED] at a cost of [REDACTED] with an estimated fit out cost of [REDACTED] is recommended. This represents a unique opportunity for the HSE to acquire a newly built block as part of this Landmark [REDACTED] development as a key enabler to decant the existing substandard outpatients department off the congested Rotunda Hospital Site. This will allow significant clinical risks to be addressed with the development of the proposed Critical Care Wing at the hospital.

This option supports a preference to own rather than lease facilities and, when compared to the previously approved Parnell House option, has a net saving of [REDACTED] to the HSE over [REDACTED] while also having the benefit of being a significant asset in the ownership of the HSE. It also delivers a key element of health infrastructure in a landmark inner city location to service the most highly deprived areas in the North Inner City.



The [REDACTED] over six floors currently comprising reception, five floors office accommodation and food and beverage unit on Ground Floor (which is subject to separate lease arrangements, providing a rental income of [REDACTED])

An independent Market valuation obtained on the building [REDACTED] on the building with Category A fit out (basic landlord fitout to open plan office arrangement). Additional advice obtained from Kroll places a value of [REDACTED] on the building, reflecting the 'Special Purchaser' interest it has to the Rotunda Hospital due to proximity to the existing Hospital, and taking into account its size and layout, the upgraded A3 BER rating and the fact that the purchase is subject to receipt of planning permission for change of use.

The building is being offered in its existing shell and core state with a BER of B1 at a negotiated purchase price of [REDACTED] subject to change of use planning permission to medical use / day care centre. The credit for Category A fit out and BER improvement to A3 has reduced the purchase price by [REDACTED] which is submitted as representing value for money.

The Master and the Executive Management Team of Rotunda Hospital and the Rotunda Hospital Project Board are fully in support of the acquisition of the [REDACTED] in lieu of the previously approved [REDACTED]

The Board is asked to approve acquisition of [REDACTED] for the sum of [REDACTED] to accommodate outpatient and ambulatory services for the Rotunda hospital, thereby allowing the decant of this activity from the nearby Rotunda campus, which will in turn facilitate development of critical care and other facilities at the hospital. [REDACTED] will also provide a Long Term City Centre satellite facility for Outpatients department or other use when the Rotunda Hospital moves to Connolly Hospital.

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

- **Current status**
Subject to Board approval
- **Budget**
The total cost of the acquisition is [REDACTED] with an estimated fit out costs of [REDACTED] This indicative fit-out cost includes budget provisions for construction, design team fees, equipment and other costs. It is a high level order of magnitude budget and will develop and mature in the normal way through the various project stages.
- **Programme**
Subject to HSE Board approval, the acquisition will be funded from Capital Plan 2022.
- **Resources**
The proposal will provide replacement facilities for the Maternity Outpatient Department; Paediatric Outpatient Department; Colposcopy; Medical Social Work and Perinatal Mental Health and will accommodate 127 WTEs in total.
- **Corporate Plan**
The proposal is aligned with HSE Corporate Plan & Service Plan

- **Sláintecare**

In line with Sláintecare Report 2017 & Sláintecare Implementation Strategy

- **Social factors (e.g. impact on specific area such as the elderly, disabilities)**

This proposal will have a positive social impact. The location of HSE services at the centre of Dublin city.

- **Technological factors**

None

- **Legal factors**

Acquisition is subject to Final Grant of Change of Use Planning Permission

Sustainability

This is newly constructed building in shell and core state. The proposed building will be delivered to meet the performance specifications of Nearly Zero-Energy Buildings (NZEB) standard in accordance with the revised building regulations part L and will meet the requirement of achieving an A3 BER rating. This is the only newly built building identified in the proximity of the Rotunda Hospital which meets the service needs that can readily meet the Public Sector Climate Action requirements.

Value for Money

The proposed purchase price is assessed as providing value for money

Conclusion

Not applicable

Recommendation

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