

ESTATE MAJOR PROJECTS AUTHORITY - MINUTES

Venue: Sandwell General Hospital

Date: 10th December 2019

Members:

Mr R Samuda	(RS)	Trust Chairman (Chair)
Mr M Laverty	(ML)	Non-Executive Director
Ms D McLannahan	(DM)	Acting Director of Finance
Mr A Kenny	(AK)	Director of Estates & NHP
Mr T Lewis	(TL)	Chief Executive
Ms M Perry	(MP)	Non-Executive Director
Mr M Hoare	(MH)	Non-Executive Director
Mr H Kang	(HK)	Non-Executive Director

Apologies:

Cllr W Zaffar (WZ) Non-Executive Director

Minutes	Reference
1. Introductions	Verbal
The Committee members introduced themselves for the purpose of the meeting recording.	
2. Apologies for absence	Verbal
Apologies were received from Cllr W Zaffar. Marie Perry was attending as Audit Chair.	
3. Minutes / Matters Arising from previous meeting	
No prior minutes were outstanding and meeting was called to address issues arising from the prior Board meeting on December 5 th .	
4. Midland Met Update	Papers Circulated
<p>Mr Lewis noted that a series of papers had been circulated in advance. Those being:</p> <ul style="list-style-type: none"> - Lawyers' brief (Capsticks) - Project manager's draft report (Gleeds) - Chief Executive's report (details below) <p>Mr Samuda asked that the salient issues from those papers be highlighted.</p> <p>Mr Lewis outlined the following:</p> <ul style="list-style-type: none"> • His advice that the arrangements in place are the best available and are sufficiently congruent with positions approved previously as to be tolerable to the board. • Clarity that all external approvals required to proceed are in place, as outlined at the December 5th Board meeting <p>He noted that the desire to sign both the Engie Lot 1 and 2 contract at the same time as Balfour had</p>	

been delayed due to complications with contracting terms. For construction, the matter under debate, we were using a Standard NEC4 Contract. That includes a variety of options available to us, as detailed in the report that he submitted. He highlighted that:

- Agreed price, and contained within that agreement is a risk schedule with Balfour.
- From that risk register the first £3.5 million will go to Balfour as a risk management payment.
- The balance if unspent will be split 50/50 with the Trust. A risk register held by the Trust which is effectively going to consume the majority of the remainder of the contingency.
- There is a liability cap of 25% of billed cost, which is tapered, and which is considered to be market normal.

In achieving this position he noted that

- Very little de-scoping work was required from the original design.
- We have taken the risk for the external façade and one or two other small matters that we are better placed to address down the line.
- There are liquidated damages for delay, albeit they are not especially high
- The prelims have been fully assessed, and have been agreed as real cost.
- He summarised the anticipated profit margin from Balfour Beatty and their suppliers

Mr Hoare asked about the 9th Floor, and Mr Lewis reminded the committee that:

- Reserved space as specified in the original design in 2014.
- In 2016 a decision was made to spend around £1million under PFI arrangement to implement the electrical and infrastructure needed to bring into use.
- Re-issued final contract core proposal in 2018, and in that it became clear via bed modelling that we would need to make use of the 9th floor for this purpose.
- The 9th floor as now was in the approved OBC and FBC

Mr Samuda asked about liability caps. Mr Lewis noted that the cap was around 25% of expenditure, with a further liability between the contractor and FM provider.

Mr Lewis went on to explain that some design changes had been made:

- The radio pharmacy has been removed on the basis that there is active negotiation over whether this service merges with the QE. This can be put back in for around £670k, hence seeming more sensible to take out at this stage.
- Some gravelling of supply roads agreed, rather than tarmac.
- Some variances of Compliance (non-clinical).

He highlighted that the delay to approval over the summer had coincided with some evidence that perhaps Balfour has made less progress around finalising supply chains than both they and we would have liked. Contingency agreed within the contract is a Balfour held risk, rather than a Trust held risk. Advisors, and Mr Lewis agreed, felt that it was better to proceed now, in the current position, rather than await further price betterment procurement work from Balfour.

Mr Lewis outlined the concept of a collaborative contract, rather than a PFI. It will take some time to get all involved attuned to that. He was pleased to have an indication from Dean Banks of a likely 'Guaranteed maximum price' during 2020, with the Trust under no contractual obligation to accept this. This would be timed after concluding revisions to be made to the MEP design in April or May and a collaborative response will be made by the Trust if this is the case.

It is recognised that we are buying from 'Balfour Beatty'. Quite a lot of the work is being undertaken by Balfour Beatty Kirkpatrick, a subdivision of Balfour Beatty. Progress is being made re this, including imminent staffing changes, but this does require attention.

Mr Samuda asked about the 4th Floor. Mr Kenny noted that there there is some clinical function on this floor (ITU). Mr Lewis felt that the spatial fit issues (e.g. Ceiling Heights) around servicing is a specified risk for Balfour. He suggested that this is all but resolved. Commercially risks that appear in the existing scope and risk list – there is no margin chargeable. However for unforeseen risks and client side variations the margin is chargeable. We do have a definition of exactly what payments can be withheld under breach of the long stop date, which is essentially the costs for incomplete work, plus an additional £2million.

Mr Laverty sought confirmation of the best available deal advice, which Mr Lewis reiterated, and added that 'Handover to Opening' would require quite a lot of double running to achieve this. Still feasible to be up and running by the Commonwealth Games 2022, but it will be tight.

Mr Lewis noted that there was work still to be done on the reports before formal sign off, including finalising drafts (minimal changes now required), and initialling of documents. Mr Samuda suggested that the meeting had covered all relevant questions. Mr Lewis asked for assent to sign which the committee confirmed.

5. Details of Next Meeting

The Estate MPA will meet bi-monthly during 2020/2021.

Signed

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Date