

QEII New Generation Project – Halifax Infirmary Expansion and Community Outpatient Centre – Phase II



Overall Conclusions

- The Department of Transportation and Infrastructure Renewal conducted a reasonable and appropriate analysis to select a project delivery model for the Halifax Infirmary Expansion and the Community Outpatient Centre.
- The Department of Transportation and Infrastructure Renewal and the Nova Scotia Health Authority followed a reasonable and documented methodology to develop a master plan for the Halifax Infirmary Expansion and the Community Outpatient Centre.
- The Department of Transportation and Infrastructure Renewal made significant progress in completing December 2019 recommendations.

Why We Did This Audit

- The QEII New Generation Project is a massive multi-year capital project. If thorough planning and analysis has not been completed, it could lead to poor use of resources. This could negatively impact healthcare in the province.
- We have identified issues in the past around both P3 and traditional construction projects.
- Our December 2019 recommendations are time sensitive, so we decided to follow up early on their implementation.

What is a P3?

- Project delivery options fall along a continuum ranging from traditional to P3 options
- All options along the continuum involve private sector involvement
- The degree of responsibility and risk transferred to the private sector distinguishes a traditional project delivery model from a P3
- P3s can create value by government transferring risks related to the construction and long-term maintenance of infrastructure to the private sector
- Government pays a premium to the private sector for taking on these risks

Audit Scope

- Included processes used to select a project delivery model for the Halifax Infirmary Expansion and the Bayers Lake Community Outpatient Centre components of the QEII New Generation Project. Also included the development of a master plan for the Project.
- Did not include the development of tender documents and the procurement processes used to select private sector partners to deliver these projects. Work in these areas was ongoing at the time of our audit.

Project Delivery Model

- Selected the P3 delivery model based on a reasonable and appropriate Business Case, which followed an established methodology
- Took steps to address risks that could bias the decision including:
 - incorporated data from past provincial infrastructure projects into the analysis
 - completed a sensitivity analysis
- Thoroughly assessed possible project delivery options
- Completed comprehensive financial analysis to compare costs and risks of a traditional project delivery approach to a P3



Hospital Master Planning

- Developed a master plan using a documented methodology that considered future healthcare needs
- Consulted key stakeholders when developing the master plan
- Need to resolve variances between functional programs and master plan

Future Work Required for a Successful Project

- Need future planning to guide the Project through the next stages
- Need thorough assessment to determine the impact of COVID-19 on the Project
- Government should develop a:
 - stakeholder engagement plan
 - transition plan to guide the Project from construction through to operating the facilities
 - benefits realization plan to determine if the Project objectives were met
- Need to complete risk mitigation strategies at later stages of the Project to ensure a P3 delivery model remains the best option. This includes:
 - updating the Business Case during procurement
 - ensuring final contracts with private sector partners are consistent with the Business Case
 - effectively managing and overseeing the contracts with private sector partners
- These items were not required to be completed to select a project delivery model

December 2019 Recommendations

- Two of five recommendations completed
 - All 18 consultant recommendations to improve governance and key project capabilities implemented
- Progress made towards completing another two recommendations, but additional work remains
- Remaining recommendation could not be assessed at this time