

AM-12



St Vincent's Health Network Sydney

Capital Investment Proposal

West Street Translational Research and Education Centre

2022

1. PROPOSAL OVERVIEW

1.1 Organisation Details

Organisation: St Vincent's Hospital Network Sydney

Contact Officer: Anna McFadgen

Position: Executive Director, Strategy Planning and Partnerships

Phone: 0402 157 713

Email: anna.mcfadgen@svha.org.au

1.2 Proposal Details

Proposal name: Co-investment in the West St Translational Research and Education Centre (West Street Centre)

1.3 Relevant Documents and Current Planning Status

Document	Status
<i>Strategic Business Case: West Street Translational Research and Education Centre Co-investment</i>	<i>Submitted to Ms Kate McGregor Director Finance, Infrastructure & Performance, Office for Health and Medical Research, NSW Ministry of Health 14 April 2022 for consideration in the FY 2023 NSW Government Budget</i>
<i>Darlinghurst Integrated Healthcare Campus Masterplan</i>	<i>2017, refreshed in 2021</i>

1.4 Consultation

This proposal and the full Strategic Business Case for the West Street development was informed by consultation with a range of stakeholders including SVHNS staff, Executive and Darlinghurst Precinct partners including Victor Chang Cardiac Research Centre, Garvan Institute, University of Notre Dame and Australian Catholic University. Consultation has also been undertaken with State Government representatives and the NSW Treasurer as below.

<i>Party</i>	<i>Date of Consultation</i>	<i>Focus of Consultation</i>
<i>NSW Treasurer, The Hon Matt Kean</i>	<i>February 2022</i>	<i>Co-Funding of West Street Centre alongside Commonwealth Government, Trustees of St Vincent's Hospital Sydney, Victor Chang Cardiac Research Institute, University of Notre Dame Australia, St Vincent's Curran Foundation and St Vincent's Applied Medical Research (St Vincent's Hospital Network Sydney)</i>
<i>Ms Kate McGregor, Director of Finance, Infrastructure and Performance, OHMR, NSW Ministry of Health</i>	<i>March to April 2022</i>	<i>Submission of NSW Treasury compliant Strategic Business Case</i>

1.5 Board Endorsement

Has the Organisation's governing board endorsed this proposal? Yes [] No []

1.6 Chief Executive Approval

Name: A/Prof Anthony Schembri

Position: Chief Executive Officer, St Vincent's Health Network Sydney

Signature: 

2. PROPOSAL DESCRIPTION

2.1 Proposal Description

St Vincent's Health Precinct Sydney, one of NSW's leading health innovation precincts, proposes a new Translational Research and Education Centre so it can continue to make significant contribution to NSW's health innovation agenda.

A Strategic Business Case (SBC) has been submitted in April 2022 that sets out the investment case for a proposed \$183m state of the art research facility that will provide modern, flexible research space to the St Vincent's Health Precinct.

The St Vincent's Health Precinct Masterplan designates the development site on the corner of West and Liverpool Streets in Darlinghurst, Sydney, for translational research and educational purposes. The Strategic Business Case recommends a 10-storey building (net floor area of 6,802m²) and housing both wet and dry research space, commercial partners and an Advanced Translational Research facility (ATF) and expanded clinical trials facilities.

The proposed Centre will provide a venue for collaboration aligned to the Precinct's Centres of Excellence: Cardiac Care and Research; Genomics, Cell Therapies and Cancer; Immunology and infectious Diseases; and support our lasting focus on care for vulnerable populations.

The proposed Centre's Cornerstone Partners are St Vincent's Hospital Sydney (SVHS), Victor Chang Cardiac Research Institute (VCCRI) and education partner University of Notre Dame (UNDA). Australian Catholic University, The George Institute, University of NSW Medical School have all expressed interest in joining the collaboration.

Innovation through translational research is an acknowledged pathway to improving health outcomes, increasing commercial growth, and delivers broad social benefits to the people of NSW and across Australia. Optimising facilities for translational research and collaborative learning at established, world-recognised health precincts like St Vincent's Health Precinct Darlinghurst are a fast and effective way to deliver these health, economic and social benefits to the local and national economy.

The Centre will position the St Vincent's Health Precinct, and NSW, for future growth and impact. This will also ensure the Precinct aligns with the upcoming Health Infrastructure NSW Precinct Strategy (2021) to use precincts as a catalyst for positive health and economic outcomes. St Vincent's Precinct is ideally positioned to deliver breakthrough health innovation and positive economic outcomes as the Precinct Partners have a long track-record and global reputation for translating research into clinical practice, mature precinct governance systems and strong partnerships between our universities, hospitals, and medical research institutes.

The Strategic Business Case brings together governments, NGOs and philanthropists to co-invest in health innovation for NSW.

2.2 Investment Drivers

The proposed West St Centre is a collaborative response from the Cornerstone Partners to several shared problems facing the St Vincent's Health Precinct:

- Currently many patients are missing out on access to innovative, breakthrough treatments owing to aged, inadequately small, inconveniently located or non-existent campus facilities for clinical trials, translational research and dry research with existing facilities being at capacity despite growing demand (driven by ageing population and increasing demand for ambulatory capacity).
- While the St Vincent's Precinct is known across Australia for the quality of its

research, the West St Partners' capabilities are not being optimised to their full extent; fragmenting translational research across the Precinct, causing missed opportunities for collaboration with industry, for targeted impact, and for the creation of medically and commercially useful devices as a result of constrained infrastructure. (One notable example, amongst many, is that the full translation pathway for cardiovascular breakthroughs is currently not supported by Precinct infrastructure.)

- The current capacity constrains both innovation and education opportunities on campus, particularly for highly specialised and generalised learning and development. A significant long-term impact of this issue is that the Precinct's contribution to growth and investment in NSW's innovation sector is stymied.
- While Australia has an excellent record in research, it has a relatively poor record in commercialisation flowing on from research, due in part to poor connections between researchers and the end-users of new knowledge. The St Vincent's Precinct, with its world-class reputation, mature precinct partner collaborations, sound links to industry and lengthy track-record of health innovation, is ideally positioned to rapidly deliver upon the promise of growth through closer clinician-researcher education and collaboration.

The design for the proposed Centre and underpinning collaborative agreements amongst Cornerstone Partners addresses these problems, leading to better health outcomes, and state-of-the-art research facilities that deliver results and are both nationally and internationally competitive. Benefits include:

- Updated facilities that lead to improved patient outcomes through the delivery of expanded access to new therapies, simultaneously providing the increased capacity and floorspace to cater for population and demographic change pressures.
- Co-locating an Advanced Translation Facility (pre-clinical research led by the Victor Chang Cardiac Research Institute) in a hub spanning discovery research to clinical trials, alongside recognised Centres of Excellence, will create a unique facility which cannot be replicated elsewhere in NSW. Combined with additional clinical trials space and dry research capacity, the proposed West St Centre will mean more research is produced and translated. In turn, this guarantees higher output and impact from the Partners
- By building the essential, state-of-the-art infrastructure and hence realising the Precinct's ambitions for a world-class research infrastructure for its established Centre of Excellence in heart/lung treatment, the proposed facility will establish a pre-eminent national centre for heart disease in the centre of Sydney; a breakthrough that will attract partners, talent and investment, as well as delivering revenue growth.
- The envisioned design compliments existing NSW Government Health Infrastructure strategies and can be leveraged for: increased levels of commercialisation; growing partnerships with industry; improved innovation; and ultimately the delivery of more productive, more sustainable and more liveable communities.

2.3 Options Considered

Several options have been developed to meet the project objectives, the design criteria for the West St Centre, the wider vision of the St Vincent's Precinct, and the future resourcing needs of the sector. Identification of a long list of options covered the spectrum of non-capital and capital solutions to address the service need, as well as defining an optimised Base Case for comparative analysis. A Functional Brief for the Centre was developed through several user group sessions and incorporated project objectives and market sounding feedback.

A long list of five options was identified. Option 1 is the Base Case, where nothing changes from the current state. Option 2 is the Maximum Envelope Facility. Option 3 is a DA Compliant Facility. Option 4 is a refurbishment of the existing facility. Finally, Option 5 is a non-capital option, where project objectives are met by leasing existing facilities.

A Multi Criteria Analysis (MCA) process was undertaken to identify and prioritise the options considering agreed strategic fit criteria and weighting. These criteria and measures were then used to assign a score to each option that helped with ranking and identifying the most impactful design option for further consideration in the Cost Benefit Analysis, Financial Analysis and the Commercial Analysis. While this process is described in more detail in Section 5.2.2 Multi-Criteria Analysis, at a high level, the MCA involved five key steps:

- 1) Defining the objectives of the criteria analysis.
- 2) Develop criteria and sub-criteria and assign weighting
- 3) Collate results and scoring
- 4) Rank options and finalise business case options for further consideration
- 5) Undertake sensitivity tests and test results.

Based on this, Option 3, DA Compliant is the preferred option. Option 2, Maximum Envelope also scored highly. As such, both options are recommended to proceed to detailed cost, economic, financial and risk analysis. Option 4 (Refurbish Existing Facility) and Option 5 (Lease Existing Facility) were ranked third and fourth respectively. The 'do nothing' scenario (Option 1) is viewed as the least suitable choice under the MCA.

The non-capital and non-traditional asset solutions (referred to in Appendix C of the State-wide Investment and Prioritisation Framework) are not as applicable in this proposal. The new facility has been conceptualised in order to deliver a major addition to NSW Health's Innovation and translational research agenda and provide opportunities for state-wide advancement of the NSW Government's health innovation and commercialisation agendas, as detailed in the 2021 NSW Health Draft Precinct Strategy and by Investment NSW.

3. STRATEGIC ALIGNMENT OF PREFERRED OPTION

3.1 Strategic need and benefit

Criteria	Comment	2022 Strategic Business Case Reference
<i>Alignment with NSW Government priorities</i>	<i>Details on alignment to NSW Government, and Commonwealth Government policies and strategies.</i>	<i>Pages 42-46</i>
<i>Alignment to NSW Treasury's outcomes budgeting framework</i>	<i>Being a Translational Research and Education Centre, aiming at bolstering the state's health innovation and commercial productivity and outcomes, the LHD/SHN Service Level Agreements from NSW Treasury are less relevant to this case.</i> <i>Relevant NSW Treasury strategies, plans and reports are listed, notably, NSW Treasury, Innovation and Productivity Council, The Innovation Economy report</i>	<i>Page 45-46</i>
<i>Demonstrate a clear service need backed with evidence</i>	<i>For the same reasons as above, rationale for the proposed centre links to: NSW Government, The Future of Clinical Trials NSW, Australia</i>	<i>Page 45</i>

3.2 System and Service Transformation

Criteria	Comment	2022 Strategic Business Case Reference
<i>Greater integration of primary, community based-services and early treatment</i>	<i>The fundamental concept of the Translational Research and Education centre is to facilitate closer researcher-clinician-student-commercial collaborations that aim to integrate with primary community-based services and offer consumers state-of-the-art early treatments in a clinical trials setting.</i>	<i>Page 27</i>
<i>How will the investment facilitate out-of-hospital care</i>	<i>Clinical trials will take place in the Centre, outside of the St Vincent's Public Hospital, in a specialised setting, purpose built for successful delivery and monitoring.</i>	<i>Page 50-53</i>

<i>impact on outpatient care, same day surgery and community health</i>	<i>Refer Clinical Trials note above.</i>	<i>Page 50-53</i>
<i>Decreasing avoidable ED presentations</i>	<i>Less applicable to a Translational Research and Education facility.</i>	
<i>Adoption of virtual or telehealth models</i>	<i>Less applicable to a Translational Research and Education facility.</i>	
<i>Optimising service delivery</i>	<i>Less applicable to a Translational Research and Education facility.</i>	
<i>Networked services, collaboration and sharing across the entire health system</i>	<i>The Centre supports St Vincent's Precinct's Centres of Excellence in heart/lung and genomics, CoEs that work across the state and draw together collaborations between researchers, academics, students, clinicians, industry, state and federal governments and international collaborators.</i>	<i>Page 27</i>
<i>Non-capital solutions</i>	<i>Translational Research and health innovation are, by their nature, largely non-capital solutions. They improve the efficacy and outcomes of the health system by reducing demand and, through rapid-learning environments, improving the prevention and successful treatment of disease.</i>	<i>Pages 29-45</i>

3.3 Sustainability and Efficiency

The West Street Strategic Business Case does not ask NSW Government to make a contribution to life cycle costs. It asks for a one-off capital contribution and no ongoing operational contributions. Lifecycle and operational costs will be modelled and borne by the facility partners.

4. ESTIMATED CAPITAL COST

4.1 Capital Cost Estimate

A preliminary cost plan was developed for the Strategic Business Case. A summary of this is included in the table below.

Table 1: Summary of Building Capital Costs (nominal, dollars)

Trade Description	Option 2 Max. Env.	Preferred Option 3 DA Env.
Structure	35,155,770	30,933,713
Fitout & Services (Incl. Group 1 & Group 2 (Installation FFE))	41,537,769	36,983,384
Allowance for bridges to connect to adjoining buildings (2 No.)	2,000,000	Excl.
Sub-Total Construction Budget (Excl. Preliminaries, Margin, Contingency & GST)	78,693,539	67,917,097
Add Preliminaries (20%)	15,738,708	13,583,419
Add Builder's Profit & Overheads (8%)	6,295,483	5,433,368
Total Construction Works (Excl. Consultants Fees, Contingency & GST)	100,727,731	86,933,884
Group 2 (Procurement) & Group 3 FFE (excl. ATF)	7,554,580	6,520,041
ATF - Group 3 Equipment & Capital Equipment (excl. PET)	33,786,500	33,786,500
ATF - Level 4 VCCRI Integration Refurbishment (LPB & West St)	6,000,000	4,859,084
Sub-total Budget Estimate (Excl. Consultants Fees, Contingency & GST)	148,068,810	132,099,509
Final Business Case & Supporting Resources Development Fees	2,000,000	2,000,000
Design Stage Consultant Fees incl. PM & QS (15%)	15,109,160	13,040,083
Construction Stage Consultant Fees incl. PM & QS (5%)	5,036,387	4,346,694
Total Budget Estimate (Excl. Contingency & GST)	170,214,357	151,486,286
Escalation Contingency assuming a construction start date of June 2024 (assume 4.4% / p.a.)	16,851,221	9,357,009
Construction / Equipment / Consultant Contingency (15%)	24,932,153	21,994,080
Total Budget Estimate (Excl. GST)	211,997,731	182,837,375

The 2022 Costing template (Attachment 1) has been provided by Health Infrastructure to assist in the development of a well-considered estimate.

For further assistance with the Costing template, please contact:

Asset & Project Advisory Services
Health Infrastructure
Lachlan.Lavery@health.nsw.gov.au

5. PRELIMINARY COST BENEFIT ANALYSIS

5.1 Preliminary Cost Benefit Analysis (PCBA) Excel Template

The SBC recommends a NSW Government co-investment of \$53.8m in capital expenditure from FY23 – FY25. This compliments Philanthropic and Partner contributions of \$75m and a co-investment from the Commonwealth Government of \$53.8m. Philanthropy will co-contribute via the St Vincent's Curran Foundation (SVCF) and VCCRI. Trustees of St Vincent's Hospital Sydney will contribute the site on the corner of Liverpool and West Sts Darlinghurst, valued at \$15m.

A value for money assessment was conducted as part of the Strategic Business Case on the short-listed options using:

- Cost benefit analysis (CBA) - Measures the economic impacts of the project options to the NSW Government and NSW residents.
- Financial Appraisal - Evaluates the total cash-flow impact of the project options from the Cornerstone Partner's view. Its focus is on whether the projected revenues will cover the whole-of-life costs of the proposal.
- The economic appraisal results for each of the proposed options suggest that the project will deliver significant economic value for NSW, with total present value benefits of around \$542 million for Option 2 and around \$430 million for Option 3, greater than the capital and operating costs of the project for each Option. The BCR of Options 2 and 3 are estimated at 2.5 and 2.3, respectively (see Table 2 below).

The only call upon NSW Government is a capital contribution. No further operational expenses are requested.

The Recommended Option has a Benefit Cost Ratio (BCR) of 2.3 and positive economic Net Present Value (NPV) of \$244.8m.

Table 2: Economic appraisal results: Net present value

	Option 2 Max. Env. (\$m)	Option 3 DA Env. (\$m)
<i>Economic costs</i>		
CAPEX		
Upfront CAPEX	160.5	138.5
Total	160.5	138.5
OPEX		
Building Salary Costs	4.7	4.7
Building Overheads	15.4	11.7
Building Lifecycle Capex	35.5	30.6
Total	55.6	47.0
Total costs	216.1	185.5
<i>Economic benefits</i>		
<i>Increase in grants, revenue and donations</i>		
Increase in clinical trials contracts due to the new research institute	42.5	33.5
Increase in donations from Individuals and Institutions	83.0	65.6
Increase in research grants due to the new research institute	67.0	52.9
Increase revenue of moving hematology clinical trials activities to West Street	2.5	2.0
Total	195.0	154.0
<i>Improved health outcomes due to Translation research</i>		
Impact on the health system with investment in Translational research	315.0	248.8
Total	315.0	248.8
<i>Increase in productivity and economic impact</i>		
Economic impact of attracting new international students	2.9	2.3
Economic impact of attracting new international researchers	12.2	9.6
Increase in productivity through reduced travel time from collocation of research teams	9.4	9.4
Commercialisation of medicines through clinical trials and medical research	7.8	6.2
Total	32.2	27.4
Total benefits	542.2	430.3
Break-even point	9.0	9.0
NPV	326.1	244.8
BCR	2.5	2.3

Table 3 below provides a financial appraisal summary of each Project Option, incorporating Costs and Commercial offsets over a 25-year appraisal period (20 years of operations). No option had a positive financial NPV however Option 3 (DA Compliant Facility) presents the more favourable NPC of negative \$244M. It is important to note, the FA only considers the cash inflows and outflows from the West Street Centre building itself and not the ongoing operations each Partner will bring into the Centre as part of their activities.

Table 3: Financial appraisal summary (25-year appraisal period, nominal, dollars)

<i>Financial Appraisal</i>	<i>Option 2 Max. Env.</i>	<i>Option 3 DA Env.</i>
<i>Costs</i>		
<i>Capital Costs</i>	211,997,731	182,837,375
<i>Building Operating Costs</i>	164,471,179	139,533,078
<i>Total Costs</i>	376,468,910	322,370,453
<i>Revenues</i>		
<i>Commercial Lease - Desk space</i>	19,805,195	11,317,254
<i>Commercial Lease - Café and other retail</i>	2,508,645	2,508,645
<i>Conference Centre/Auditorium</i>	2,913,265	2,913,265
<i>Total Revenues</i>	25,227,104	16,739,164
<i>Financial NPC</i>	(281,116,105)	(244,264,476)

For further assistance with the PCBA template, please contact:

Strategic Analysis and Investment Unit
Strategic Reform and Planning Branch, NSW Ministry of Health
MOH-CaSPA@health.nsw.gov.au