

SCOTTISH HOSPITALS INQUIRY

Witness Statement

of

Alan Morrison

In response to a Rule 8 Request dated 3 March 2022

11 April 2022

Professional Background

1. My name is Alan Morrison. My date of birth is [REDACTED]. I am 51 years old.
2. I am a civil servant employed by the Scottish Government as the Interim Deputy Director of Health Infrastructure. I have held this role since March 2020. My background is in accountancy and I have a professional accountancy qualification from the Chartered Institute of Public Finance and Accountancy which I obtained in 1998.
3. I provided a witness statement to the Inquiry on 11 April 2022 in response to a Rule 8 Request dated 10 February 2022 (“my First Statement”). This witness statement is presented in response to a Rule 8 Request dated 3 March 2022, in particular, questions 5.17 and 5.18 of that request as well as provision of evidence related to the NHSScotland Design Assurance Process (“NDAP”). The evidence provided in this witness statement supplements the evidence I provided in my First Statement.

The Use of the NPD Model in Scotland

4. In or around 2005 the Scottish Futures Trust (“SFT”) developed the Non-Profit Distributing (“NPD”) model as a replacement to the traditional Private Finance Initiative (“PFI”) model then in use in capital infrastructure projects involving Public Private

Partnership (“PPP”) i.e. those projects involving a collaboration between the public and private sectors.

5. I understand that the Inquiry is interested in whether the NPD model is still used for public sector capital projects. It is not. The Scottish Government has replaced the NPD model with the Mutual Investment Model (‘MIM’), but it has not been used by the health portfolio for any project to date (and there are no immediate plans to use this option).
6. Eurostat, an organisation within the European Union that collects and collates statistical information related to member states, requires member states to compile specified statistical returns (accounts) on the basis of the European System of Accounts (“ESA”). ESA contains the rules and procedures for the compilation of national and regional accounts used by member states. It is an internationally compatible accounting framework that provides for the systematic and detailed description of an economy. The current version of ESA is ESA 2010. Since September 2014 (the effective date of ESA 2010), Scotland’s economic statistics have been compiled in accordance with ESA 2010.
7. The Office for National Statistics (“ONS”) is responsible for assessing public bodies and public transactions against ESA rules in order to determine how the bodies and transactions are to be treated in Statistical National Accounts (used to provide a simple and understandable description of production, income, consumption and accumulation of wealth across the UK). In July 2015, ONS published its assessment of a PPP project using an NPD model: the Aberdeen Western Peripheral Route (“AWPR”)¹. The assessment concluded, applying ESA 2010, that the Scottish Government had economic ownership of the asset. The ONS’ assessment of AWPR as a public project (as opposed to a PPP project) resulted in a charge being made to the Scottish Government’s Capital Departmental Expenditure Limit (“SGDEL”) such that the value of the private investment is lost. The ONS’ assessment of AWPR applies to all projects utilising the NPD Model.

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https://www.ons.gov.uk/file?uri=%2Feconomy%2Fnationalaccounts%2Fuksectoraccounts%2Fdatasets%2Fpublicsectorclassificationguide%2Fseptember2015/publicsectorclassificationguidelatest_tcm77-418156.xls - Open file – click on ‘historic updates’ and the first line gives the rationale of the ONS

8. The purpose of PPP is to inject additional private finance into public projects (i.e. to share the capital burden across the public and private sectors). If that sharing of capital burden is lost (in real terms) by subsequent charges against SGDEL then that value (or part thereof) is lost. The ONS' assessment of AWPR means that it is no longer economically viable to use the NPD model in Scottish Capital Projects.
9. The United Kingdom's withdrawal from the European Union has not affected the ONS' use of ESA 2010 when preparing Statistical National Accounts.

NHSScotland Design Assurance Process

10. NDAP has formed part of the business case review process, undertaken by the Capital Investment Group ("CIG") since June 2010 (see NHS CEL 19 (2010) – Bundle 4, document 9, p.99). NDAP has been incorporated within the Scottish Capital Investment Manual ("SCIM") (Bundle 3, volume 2, document 33, p.120) since 1 July 2010.
11. The broad purpose of NDAP is to promote design quality and the service outcomes realised through good design. NDAP considers healthcare specific design as well as general good practice in design.
12. As I describe at paragraphs 19 to 32 of my First Statement, a business case is reviewed by CIG at a number of distinct stages. NDAP commences at Initial Agreement stage with the development of design standards that are used to provide the key criteria for future NDAP review. Thereafter, formal NDAP reports will be submitted to CIG prior to consideration of the Outline and Full Business Cases. Interim NDAP reports/responses may also be submitted to CIG (on request) at strategic design stages.
13. NDAP is undertaken by Health Facilities Scotland ("HFS") and Architecture and Design Scotland ("ADS"). HFS and ADS are best placed to describe the technical detail of the review they undertake. The outcomes of HFS and ADS' reviews are reported to CIG; and SCIM is clear that "*CIG approval is conditional on the level of support verified in the formal NDAP report sent at OBC or FBC submission.*"

14. As I discussed at paragraph 13 above, HFS and ADS are best placed to discuss the technical detail of NDAP reviews. That said, and in so far as may be relevant to the Inquiry's terms of reference, the NDAP guidance contained in SCIM makes clear that it is for the health board to demonstrate compliance with "design guidance" and to list any derogations. Accordingly, there is an expectation that the health board will flag any known derogation from technical standards applicable to the project being delivered.
15. On 5 July 2019 I emailed Susan Grant of HFS in relation to NDAP. Susan responded to my email later that same afternoon (Bundle 3, volume 3, document 78, p.1,309). The purpose of my email was to better understand whether NDAP should have identified the problem with the ventilation system (at RHCYP) which had recently been discovered. If the answer was 'no, NDAP does not get into that level of detail', we would need to consider what we would have to put in place to identify issues before they became a problem. If the answer was 'yes, it should have spotted the problem', then we would need to consider why it did not and what we would need to change about the process. Susan's response was to explain that because NDAP is "*only a proportionate review*" she could not guarantee the process would detect problems (such as arose at RHCYP) in future projects. As I explained at paragraph 13 above, HFS and ADS are best placed to explain the technical details NDAP reviews, including what is meant by "*proportionate review*".
16. Susan's email was informative to the work undertaken in relation to the creation of NHSScotland Assure ("NHSSA"). I explain at paragraphs 48 to 56 of my First Statement, the Key Stage Assurance Review that is now undertaken by NHSSA.
17. I believe that the facts stated in this witness statement are true. I understand that this statement may form part of the evidence before the Inquiry and be published on the Inquiry's website.