
Trust Board Meeting – 21st August 2008

New Hospital OBC Progression

To update and brief the Board on progress towards the long-term strategic objective of a new acute hospital at Watford.

Report by: Jan Filochowski, Chief Executive

1 Purpose

- 1.1 This paper is intended to update and brief the Trust Board on matters being progressed to deliver the long-term strategic objective of the new acute hospital at Watford.

2 Background

- 2.1 The Trust's Programme Managers for the new hospital have demonstrated that the size of hospital arising from current activity and capacity modelling would be affordable. This remains subject to more detailed activity, capacity and financial modelling as the Outline Business Case (OBC) is further progressed.
- 2.1 The Chief Executive and Chair have discussed this position with the SHA Chief Executive and Chair and have agreed that the OBC should therefore be progressed. A timeline for submission of the OBC to the SHA of 12-months has been discussed.
- 2.3 The paper identifies the steps now necessary to progress the OBC.

3 Key Matters of Interest

3.1 Outline Business Case

A substantial volume of work is required to generate an approvable Outline Business Case (OBC). The documentation supporting the OBC is used during the procurement phase of the hospital, through the European Union "Competitive Dialogue" process. The outputs from this phase form the basis of the performance specification in the contract for the new hospital.

3.2 Public Sector Comparator

The Public Sector Comparator (PSC) is a hypothetical, or prototype hospital design that can be demonstrated to operate in the manner; with the clinical adjacencies and services and with the activity volumes and clinical performance benchmarks that the Trust expects to see in the future. The PSC establishes the benchmark for design quality by which all of the bidding organisations' design solutions will be measured. The PSC must respond to the Outline Planning Permission for the new hospital achieved on 15th May 2008 as part of the Watford Health Campus initiative.

- 3.3 The generation of the PSC provides an excellent public and staff engagement opportunity and has been instructed to progress in parallel with the Foundation Trust application, to maximise the benefits from both exercises.

3.4 Affordability

Affordability must be demonstrated in two ways. The first is the use of a DoH "threshold" for the "Unitary Payment" (UP), not exceeding 12.5% (at OBC stage) of anticipated Trust income. The second is a "real affordability" test, i.e. whether the Trust can afford to pay the UP generated from its anticipated estate, regardless of the DoH threshold.

- 3.5 The "Unitary Payment" mentioned above is the sum contractually payable to a PFI Company for the provision, maintenance, life-cycle investment and soft-FM services of the provided facilities.

3.6 Long-Term Financial Modelling

The new hospital is expected to come “on-stream” beyond the 5-year time horizon of the Foundation Trust application Long-Term Financial Model (LTFM), however the activity, capacity and financial modelling conducted for the hospital is an extension of the LTFM, ensuring complete integration, consistency and alignment of the models. It is anticipated that two versions of the LTFM will be prepared for the FT Application, to demonstrate to Monitor that the proposed hospital is affordable.

3.7 Funding of Programme Team

The SHA has agreed to fund a further £5.5m to the Programme Team budget, bringing the total external NHS funding to circa £10m. A shortfall of circa £1.5m between the funds available and the potential budget has been identified. There are a number of approaches open to the Programme Team to close this gap over the 4 year programme. The final budget should be agreed through the New Hospital Programme Board.

4 **Actions Progressed**

4.1 Recruitment

The Trust Programme Managers have been instructed to progress the recruitment of a Project Director for the production of the OBC. The Project Director will report to Sarah Wiles who is returning from maternity leave in September and will be overseeing the development of the OBC.

4.2 Other recruitment activity will be progressed in the near future. This will be conducted with HR to ensure any suitable internal candidates arising from the DaHF changes are considered by the New Hospital Programme Team.

4.3 Resources

The Trust Programme Managers have generated a revised detailed resource plan identifying the inputs required to deliver a successful OBC and PSC in the 12-month timeline identified. The Programme Managers have met with the already appointed consultancies to ensure their commitment to achievement of the 12-month timeline.

4.4 New consultancy appointments are required to deliver the OBC. These include *inter-alia* Legal Advisers, Financial Advisers and IT Consultancy. Service specifications for these pieces of consultancy are being finalised. It is anticipated that national framework contracts will need to be accessed to secure these appointments, in the time available.

4.5 Governance

A New Hospital Programme Board is to be established. The Trust will follow the advice of the National Audit Office and other commentators on the governance structure to support the programme board. The Chief Executive will chair the Programme Board; membership of which will include the design champion, NED and other Executive Directors. The full membership will be reported to the Board in October.

4.6 Draft Terms of Reference for this Programme Board have been prepared for the Trust Board's consideration. See Appendix A.

5 **Recommendations**

5.1 It is recommended that the Trust Board note the content of this paper.

5.2 It is recommended that the Trust Board agree to the establishment of a new committee, dedicated to the New Hospital Programme.

5.3 The Trust Board is invited to consider, amend and agree the Terms of Reference of the New Hospital Programme Board.

5.4 It is recommended that the Trust Board endorse the progression of the OBC and the

commitment of the necessary resources. Such commitment to be subject to formal presentation and consideration of the resources paper to the New Hospital Programme Board.

APPENDIX A

Draft Terms of Reference for New Hospital Programme Board