

Acute Redevelopment Outline Business Case – shortlist review

May 2022

Introduction

1. In October 2020 West Hertfordshire Hospitals NHS trust board (the board) approved a shortlist of options for detailed review within its acute redevelopment outline business case. The approved shortlist consists of a range of options based on the trust's three existing hospital sites at St Albans, Hemel Hempstead and Watford.
2. Watford options included 'Watford only' options based on trust owned land and 'Watford Riverwell' options based on a combination of trust owned land and land owned by Watford Borough Council within the Watford Riverwell redevelopment zone.
3. No 'new site' options were included in the shortlist.
4. This paper summarises the background and governance in relation to the trust's decision (and previous related decisions) on this matter and the trust's rationale for this decision. The trust has followed relevant guidance in the development of both strategic outline cases and the shortlisting process for the outline business case and considered the full range of options at each stage in the process.
5. The paper also considers whether, in the current context (ie changes to capital cost estimates and delays to the overall delivery timeline) new site options should now be added to the shortlist and a detailed appraisal undertaken.
6. The decision made in October 2020 is not being questioned or judged. It is regarded by the board as being the right decision in the circumstances that prevailed at that time. The question is whether, given what we know now, there would be any merit in including any new site options into the shortlist at this stage and undertaking the requisite detailed technical appraisal to allow a full comparison against the current shortlisted options.
7. A summary of the arguments presented by campaign groups in favour of the inclusion of new site options into the shortlist is briefly summarised, together with a response from the programme team, which has been informed by the trust's professional and technical advisors.
8. **The paper recommends that the current shortlist of options based on the trust's existing three hospital sites should be retained on the basis that the time, cost¹ and risk of delay associated with re-opening the shortlist to new site options at this stage is not warranted.**

¹ NB Cost here refers to the cost of feasibility and option development work, not the capital cost of new site option themselves.

9. The detailed appraisal of the October 2020 shortlisted options has now been completed. A separate paper has been prepared for the board setting out the recommended preferred option for each site.
10. Subject to the outcome of the discussion on this paper the trust board will be asked to approve the recommended preferred option of a major new build of emergency and specialist care facilities on the Watford / Watford Riverwell site, together with significant investment in the upgrading of facilities at Hemel Hempstead and St Albans City hospitals.

Context - previous decisions on the location of hospital care

Pre-2017

11. Plans for new hospital facilities for west Hertfordshire have been pursued and then stalled for more than two decades now, during which time the buildings have continued to deteriorate. The trust has always pursued its redevelopment plans with as much pace as possible but changes in national policy and funding decisions have led to pauses.
12. **Investing in Your Health (2003) and Delivering Quality Health Care for Hertfordshire (2007).** Following an extensive Hertfordshire-wide consultation and relevant decision making by Herts Valleys and East and North Herts Primary Care trusts (PCTs) a decision was taken to consolidate acute services at Watford General Hospital and the Lister Hospital in Stevenage, with the expectation that major investment would be required to improve and expand hospital facilities at Watford. In line with this decision the emergency department and acute medical / surgical services were transferred from Hemel Hempstead Hospital to Watford General Hospital in 2009. An unsuccessful judicial review challenging this decision was brought by campaigners at the time.
13. Between 2009 and 2013 the Trust worked with Watford Borough Council (WBC) and partners to develop plans for a new hospital on the Watford General site as part of the Watford Health Campus, a major redevelopment plan for an area in west Watford to the south of the current hospital. An initial feasibility study was commissioned by IHP architects but not progressed to SOC stage at that time.
14. **Your Care, Your Future:** In 2014/2015 Herts Valleys Clinical Commissioning Group (HVCCG) led a whole system review of local health and care services known as 'Your Care, Your Future' (YCYF). YCYF set out a vision for a more sustainable future model of care and acknowledged that major investment would be required to ensure fit for purpose and sustainable acute hospital services for the local population.
15. A commitment was given by HVCCG as part of YCYF to revisit the location or 'site' issue and to include consideration of a new emergency care site within the redevelopment business case option appraisal process to be led by the trust.
16. YCYF was underpinned by a comprehensive engagement programme and its findings were formally endorsed by the Hertfordshire County Council's health scrutiny committee.
17. No formal challenge or judicial review was brought by campaigners in respect of this decision.

2017 Strategic Outline Case

18. In 2016 WHHT began a process to develop a new strategic outline case (SOC) for its services; the SOC was approved by its board and HVCCG in early 2017.
19. In line with the commitment given by HVCCG to review the 'new hospital, new site' options the 2017 SOC included consideration of a range of potential configurations and site options.
20. A site search was conducted by Amec Foster Wheeler that identified 17 potential sites within the trust's catchment area. However, most of these were deemed unsuitable due to either size / suitability / planning constraints or location. A site in Kings Langley was identified as the best potential alternative site and was used as a 'new site comparator' to the WGH site and included in the shortlist appraisal.

https://hertsvalleysccg.nhs.uk/application/files/2415/3616/0039/HVCCG_Final_September_2016_site_report_from_AFW.pdf

21. The recommended preferred way forward from the 2017 SOC was for a redevelopment of the trust's existing sites – either full new build or a combination of new build and refurbishment, with the exact detail to be worked through at OBC stage.
22. The Kings Langley site option was ruled out on both cost and deliverability grounds, based on a like for like comparison of new build options on the site vs new build options at WGH. The indicative capital cost at this stage was in the range of c£600-850m² in 2017 prices dependent on the final preferred option to be identified at OBC stage.
23. No formal challenge or judicial review was brought by campaigners in respect of this decision.

2019 Strategic Outline Case

24. In 2018 the trust was advised by NHS England to review the business case and submit a revised bid with a lower capital cost, in line with an approximate 1:1 ratio of capital cost to 2018/2019 turnover (ie, circa £350m).
25. Based on this advice the trust ran a formal process to update the 2017 SOC based on a maximum capital cost of £350m in 2019 prices.
26. The trust ruled out new hospital, new site (emergency care) options within this process as being clearly unaffordable within the £350m limit.
27. The trust did however review the potential to move from its current three site configuration to a two-site model by consolidating planned care services provided at Hemel Hempstead Hospital and at St Albans City Hospital onto a single site.

² SOC costings pre-dated New Hospital Programme and did not include digital or NZC costs. The SOC also assumed an element of revenue-based funding and / or PFI type solutions that are now not available e.g. non clinical office accommodation.

However, the cost of this was prohibitive in the context of the £350m capital envelope and given the urgent need for substantial investment in emergency and specialist care services at WGH this option was ruled out.

28. The 2019 SOC therefore recommended £300m investment at WGH (new build women and children's services, theatres and critical care) and £50m investment in planned medical and surgical care services at Hemel Hempstead and St Albans. (In 2019 prices, £410m inclusive of inflation based on the then estimate of the potential build timeline).
29. In recommending this option the trust was clear that substantial further investment would be required as soon as possible to address major outstanding issues on all three hospital sites, most notably the need to substantially upgrade or reprovide services delivered from the Princess Michael of Kent (PMoK) building at Watford. (Effectively this option could only be considered the first phase of what would need to be a multi-phase redevelopment programme).
30. The New Hospital Campaign contested the trust's costings and the decision to rule out new site options for emergency care services. An independent review was commissioned by NHS England which analysed alternative costings put forward by the campaign group. This review materially upheld the trust's costing methodology and concluded that the campaigners had substantially underestimated the costs of a new build hospital.

[WHHT Analysis of Outline Case - Final Draft Report.pdf \(westhertshospitals.nhs.uk\)](#)

31. In parallel, the New Hospital Campaign took out a judicial review against HVC GG stating that the CCG had not met its statutory duty to engage and should have consulted on the decision to rule out new site emergency care options. The JR was heard in October 2020. The claim was dismissed.

[Glatter v NHS Herts Valleys Clinical Commissioning Group \[2021\] EWHC 12 \(Admin\) \(06 January 2021\) \(bailii.org\)](#)

Health Infrastructure Plan / New Hospital Programme

32. In September 2019 the Government announced that WHHT would be one of six hospital trusts to receive funding for new facilities as part of what was then called the 'Health Infrastructure Plan'. The six hospitals were to be completed by 2025 or soon after. An indicative funding envelope of £400m was announced.
33. Discussions took place over the following six months between the trust, NHS England and DHSC regarding the parameters within which the Outline Business Case (OBC) would be developed. Essentially, the trust made the case that options within the OBC should not be constrained by the £350m / £400m funding limit. It was agreed that the trust could include options with an increased capital cost at WGH, including a full replacement of the main clinical block (PMoK).
34. The extract below is from a letter received in June 2020 from David Williams (the then Second Permanent Secretary Department of Health and Social Care)

"The view of DHSC and NHSEI is that whilst options should not be artificially constrained by the £400 million indicative allocation, our appetite for deliverability and timelines particularly in the current climate, remains high. With this in mind, we would not expect you to undertake

options appraisal on any proposal that significantly increases the timescales for delivery of the scheme beyond 2025 [..].”

[WHHT HIP Project Strategic Opts for OBC and MS Car Park Works 2.pdf \(westhertshospitals.nhs.uk\)](https://www.westhertshospitals.nhs.uk)

35. Along with the other five trusts named in the original HIP announcement, WHHT is now one of eight trusts included within Cohort 3 (Pathfinders) of the New Hospital Programme.

Outline Business Case

36. In June of 2020 the trust commenced work on an outline business case (OBC), the first step of which was to identify a shortlist of options for more detailed appraisal.
37. The trust used the process set out by the Treasury (HMT) to identify a shortlist of options (long list generator). This process considered the issue of potential alternative sites.
38. A formal decision on the shortlist of options for inclusion within the OBC was taken by both the trust and HVCCG at specially convened board meetings in October 2020. A detailed set of papers was produced to support the boards to make their decision on this issue.

www.westhertshospitals.nhs.uk/about/board_meetings/2020/WHHT%20and%20HVCCG%20Board%20Meetings%2001%20Oct%202020_Updated%20on%202020-09-29.pdf

39. The boards agreed a shortlist of options based on the trust's three existing hospital sites. The trust's clinical strategy and clinical brief set out plans to transform our services over time and the clinical model for each of our three sites, with a clear distinction between the role of each hospital.
40. The decision not to shortlist any new site options was taken based on the delivery timeline and the relative risk of successful delivery of new site options. This reflected the regulatory framework in place at the time (the stated aim of a completion date of 2025 or soon after) and, more pressingly, the increasingly sub optimal condition of the trust's buildings. The decision to rule out a new site option was not made on the basis of cost.
41. The minutes of this meeting can be found on the following link.

www.westhertshospitals.nhs.uk/about/board_meetings/2020/WHHT%20Board%20in%20Public%202020-11-05.pdf

Extract from minutes

05/83	Long list appraisal, recommended shortlist and stakeholder feedback
05.01	<p>HB introduced the agenda item and made the following points:</p> <ul style="list-style-type: none"> • Three papers had been provided to the Boards including an appraisal paper setting out the process followed in line with the green book. This covered the investment objectives and the critical success factors. • The Trust was making the case for as much funding as possible but would need to evidence that the most economically advantageous option was being chosen that meets the Critical Success Factors. • Much of the discussion over the past few years had focused on the location of the emergency care hospital but if the proposed shortlist was approved, this would mean investment in all three current sites. • The key focus of the current discussion was around the Critical Success Factor of deliverability and the recommendation from the independent site review was that the new site options did not pass the CSF. • All options passed the initial value for money and affordability criteria at long list stage so no options had been excluded from the shortlist on the basis of cost. • It was important to only shortlist options that were viable and meet the Critical Success Factors, it would take significant time and resource to look in more detail at new site options and the programme team's view was that this would not be a good use of time or resource and would slow the overall appraisal process down.

42. The trust's assessment of the delivery timeline and relative risk of delivery was informed by a feasibility study by Royal Free London Property Services and Montagu Evans which considered the suitability and deliverability of a new hospital on six different sites. (East Hemel, Kings Langley, Chiswell Green, Radlett Airport, Watford General Hospital only and Watford General Hospital & land directly abutting the existing hospital site, known as Watford Riverwell).
43. The site feasibility report concluded that all the new site options identified would take longer to deliver and carried a higher risk of failure than the Watford options. (Both WGH only and WGH / Riverwell).
44. It was on this basis that the boards concluded that it would not be a good use of time or resource to further explore any of these options.
45. The board papers also refer to a submission made by the Herts Valleys Hospitals campaign group in relation to the Chiswell Green site and set out the trust's response to this. (Item 3, page 25 - 34).
46. Whilst the Government / DHSC requirement for schemes to deliver 'as close as possible to 2025' was a factor; the boards were also driven by the urgency with which improvements are needed given the current and ongoing challenges associated with delivering safe, high-quality patient care from an ageing estate at all three sites. As such, the speed of delivery was an important criterion, irrespective of the 2025 timeline.
47. On this basis, the shortlisted options approved by the boards all involve retaining and improving the trust's three existing hospital sites. For emergency care at WGH this includes six options ranging from BAU / do minimum to a full new build; for planned care at Hemel Hempstead and St Albans the options range from BAU/ do minimum to a more substantial redevelopment of each site.
48. The October 2020 board papers identified an indicative preferred way forward (subject to the detailed economic appraisal) for emergency care services at Watford. This was for a major new clinical facility reproviding the majority of clinical services on the site.

49. Given the then requirement for Cohort 3 / Pathfinder schemes to deliver by 2025 or soon after, the trust proceeded at risk on detailed designs for its indicative preferred option at Watford and has subsequently secured outline planning consent for a new emergency and specialist hospital on land adjacent to the current hospital. This sets the maximum developable footprint for new clinical facilities on the site and demonstrates how clinical requirements could be delivered on the site.
50. The trust has developed detailed estate plans for the Hemel Hempstead and St Albans sites to support proposals for new models of care and has begun the process to secure outline planning consent for these two sites.

Current position

51. The detailed economic appraisal of the shortlist of options has now been completed for all three sites. A paper detailing this work and setting recommended preferred options for both emergency care and planned care services has been developed for review and approval by the trust board, subject to the outcome of the discussion on the recommendation set out in this paper.
52. The updated capital costs of the options significantly exceed the financial envelope set out in the regulator letter in 2020 and now range from circa £500m to £1.1bn in 2022 prices. (£500m to £1.3bn with inflation). This is due to a range of factors including an increase in the schedule of accommodation arising from updated demand and capacity modelling, new design standards, inclusion of digital integration and net zero carbon costs, changes which mean that costs previously outside of the proposal must now be included and increased inflation due to a longer delivery timeline and rising costs in materials. **These additional costs would apply to any new hospital development irrespective of location.**
53. Additionally, the delivery timeline has slipped significantly from that anticipated at the time of the shortlist decision / feasibility study due largely to changes in the national programme. The current estimated timeline is for OBC completion in late 2022 and FBC completion and major construction to commence late 2024 (subject to national processes / timelines) and complete by 2028. This is in line with the current NHP mandate to deliver 48 new hospitals by 2030, but 2-3 years longer than the original target of 2025.
54. This delay, together with increased capital cost estimates for our preferred options, has led to some stakeholders, including new hospital campaign groups, asking the trust to reconsider its decision to rule out new site options.

Campaigner views and Programme Team response

55. The key lines of argument presented by supporters of 'new site' options are set out below, with a brief response from the programme team in italics below each point.

a. A new hospital on a new site would be more accessible.

- *Travel time analysis in 2017 demonstrated a small overall reduction in drive time for the King's Langley site (the new site comparator option). Although detailed*

modelling has not been undertaken on other sites, it is anticipated the Chiswell Green site would offer a comparable travel time benefit, but neither the East Hemel or Radlett Airport sites would reduce overall travel time.

- Whilst noting the potential for a relatively small travel time benefit that could be delivered by a new site, using ambulance drive times as a proxy, it can be seen that current travel times to WGH benchmark well when compared with the average travel times across the east of England region.*
- It should also be noted that work between the trust, the local authorities and transport providers to improve access is proceeding well.*

b. A new hospital on a new site would support an improved hospital design.

- The programme team believes a good design solution can be delivered on the WGH / Watford Riverwell site, as set out in the trust's outline planning submission. There is precedent in the UK and abroad for high-rise hospitals, which also offer good co-location opportunities and faster movement time on site.*

c. A new hospital on a new site would be less disruptive than rebuilding adjacent to the current site.

- The proposed new hospital facilities would be on land adjacent to the existing hospital and with appropriate mitigation measures, disruption can be minimised. The NHS has a track record of delivering major hospital build programmes on existing hospital sites – e.g. the Royal London Hospital at Whitechapel.*

d. A new hospital on a new site would be cheaper.

- There is no evidence to suggest a new build on a new site would be materially different to the cost of a new build on the WGH / Riverwell site.*
- Without a confirmed alternative it is not possible to do a full cost comparison that takes account of site infrastructure requirements. The significant time and cost involved in undertaking such a comparison is not warranted. Campaign groups have suggested that a new hospital on a new site could be smaller than the equivalent facilities on the Watford site due to reduced circulation space from a low or medium rise design. The trust's advisors have confirmed that any reduction in space would be marginal and more than offset by the inflationary impact of any delay to the delivery timeline (estimated at a minimum of £50m per annum).*
- Moreover, the trust did not exclude new site options from the OBC on the basis of cost but on the basis of deliverability and risk (e.g. risk of failure to achieve planning and / or reach a commercial agreement to purchase).*

e. It is worth waiting longer to get a better solution - now that the mandate to deliver by 2025 has been revised there is an opportunity to review new site options

- *Improvements to the trust's hospital facilities are urgent and as such the timeline to deliver is a key consideration out with any nationally mandated timeline.*
- *The Programme Team believes that campaigners underestimate the complexity and risk of developing a new site, particularly given that all sites previously considered are within the green belt. No new site has been identified thus far which meets the deliverability criterion. Re-commencing a new search at this stage poses a delay which the board has previously said it cannot accept due to the urgent need for new and better buildings in the shortest time possible.*
- *The recommended preferred option for emergency care is for 100% new build clinical facilities; the trust does not accept the campaigners view that a WGH / Riverwell solution is inherently sub-optimal.*
- *An extended timeline would impact on capital costs due to construction cost inflation – with an estimated £50m impact for each year of delay.*

Implications of a decision to add new site option(s) to the OBC shortlist at this stage.

56. A decision to introduce new site options into the OBC shortlist appraisal at this stage would have significant implications for completion of the OBC and full business case (FBC). Additional funding would need to be made available to undertake this work at the requisite level of detail.
57. In summary the key steps required would be as follows:
- Commission an updated site search to identify suitable potential sites
 - Undertake an appraisal of these sites to identify any viable options / a shortlist of potential sites.
 - Undertake more detailed appraisal of the shortlist to identify one or more preferred options:
 - Initial review of site infrastructure requirements and site abnormalities (e.g. impact on highways).
 - preliminary commercial negotiations and
 - exploratory discussions with relevant planning authorities.
 - Travel time analysis.
 - Undertake detailed review of the clinical model to determine the optimum configuration of services (e.g. emergency care only or emergency and planned care co-located, what service offer (if any) to remain on existing sites). This work would need to take account of the location of any potential new site/s.
 - Update demand and capacity, functional content and schedule of accommodation based on the above.
 - Undertake detailed feasibility studies and 1:500 designs for the identified site/s to produce robust and comparable capital costs for the shortlist appraisal.
 - Undertake detailed benefits modelling for new site option/s for the shortlist appraisal.
58. Once all the above had been completed the detailed option appraisal could be updated and a new preferred option recommendation ascertained.

59. It is anticipated that it would take c.12 to 18 months to complete the above work and cost in excess of £2m.
60. Should a new site option be identified as the preferred option a detailed 1:200 design would need to be developed and outline planning consent secured. This would take 9-18 months at a cost in excess of £2m, with no guarantee that an application for planning consent would be successful.
61. Consideration would also need to be given as to whether a requirement for consultation would be triggered by any new site options, potentially adding further time and cost to the process.
62. Additionally, the time taken to secure commercials for the purchase of a new site is likely to extend the time required to complete the full business case and the commencement of construction. [Note: Commercial discussions in relation to the purchase of a parcel of Watford Riverwell land to support the preferred option at WGH have already commenced. This is considered a relatively straightforward transaction between two public sector bodies.]
63. As such the programme team estimate a minimum three year delay to commencement on site for new site options vs current shortlisted options based on emergency care remaining at Watford General Hospital. ³
64. As previously noted in the RFLPS and ME feasibility study, new site options also have a significantly higher risk profile in relation to both delay and absolute failure to progress.
65. The trust's view to date has been that pursuing options on its current three sites is the quickest and lowest risk route to securing urgently needed improvements to its hospital facilities.
66. The key finding of the RFPS / Montagu Evans feasibility study in relation to the time and risk inherent in pursuing new site options remains relevant.
67. Given the progress the trust has made in developing the plans for its three sites over the past 15 months the differential delivery timeline between a redevelopment of its existing sites vs new site options has increased rather than reduced.
68. It should be noted that the overall delivery timeline is dependent on progress with the New Hospital Programme at a national level. Decisions on the availability and timing of funding, as well as the outcome of national work on design convergence and standardisation, and the commercial strategy including modern methods of construction are awaited. These issues need to be resolved at a national level to allow a firm timeline to be set for completion of the OBC, FBC and commencement of construction.⁴

³ In addition to the clinical and service impact, a 3-year delay would add a minimum of £150m inflationary cost impact to the capital costs of new site options vs. options that can deliver more quickly on the WGH / Riverwell site.

⁴ Timelines within the economic appraisal supporting the preferred option recommendation for the May 2022 board are based on current estimates of approval timelines and will be updated for the final OBC once there is greater clarity on the national position.

69. However, it is anticipated that, as soon as clarity is received from the national programme, the trust would be well positioned to move forward quickly with completion of the OBC should a preferred option based on the existing shortlist of sites be approved by the trust board at this meeting.
70. Conversely, if a decision is taken to add one or more new site options to the shortlist a minimum 18 to 24 month delay is anticipated before the trust reaches an equivalent point in the process. This could put the trust's status as a 'Pathfinder' within the New Hospital Programme at risk and open the potential for significant further delays.
71. Improvements to our hospital estate are urgently needed and it is considered that an excellent solution can be secured on the Watford / Watford Riverwell site to the fastest possible timeline.
72. **As such, notwithstanding the changes to the capital cost estimates, and more particularly the delays to the New Hospital Programme at a national level, the programme team recommendation is NOT to re-open the shortlist to new site options.**

DRAFT