

Sandwell and West Birmingham Hospitals NHS Trust
Midland Metropolitan Hospital Project
Outline Business Case

Appendix 14a TDA Board Paper

Board Meeting, 23 January 2014

Paper J

**Midland Metropolitan Hospital PF2
(Sandwell and West Birmingham NHS Trust)**





Trust Development Authority

Board Meeting – 23 January 2014

Assurance of Midland Metropolitan Hospital OBC

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Purpose

1. The NHS TDA Board is asked to approve the Midland Metropolitan Hospital (MMH) outline business case (OBC) so that the case can be passed to the DH Investment Appraisal Unit for their consideration. The total capital cost of the Midland Metropolitan Hospital scheme is £353m, therefore, it requires the full range of capital approvals to be in place as follows: Trust Board, NHS TDA Regional Capital Group, NHS TDA National Capital Investment Group, NHS TDA Board, DH Investment Appraisal Unit and Treasury Health Spending Team. The scheme was presented to the NHS TDA Capital Investment Group on the 15th of January 2014 and was approved without conditions.

Executive summary

2. The MMH scheme has been under development since 2003 when the 'Right Care Right Here' Programme was launched. The scheme went through the full Strategic Business Case assessment process in 2006 with Strategic Health Authority (SHA), Department of Health (DH) and Treasury approval. In 2009 the OBC received SHA and DH approval - this allowed the Trust to proceed to compulsory purchase of the land on the Grove Lane site in Smethwick. Once the Trust had purchased the land they resubmitted their OBC, this was approved by the former West Midlands SHA in October 2010. The scheme was then delayed due to the pause in the PFI pipeline. A further public re-engagement exercise was undertaken in 2011.

The MMH scheme was announced as a PF2 pilot in December 2012. Since that time the Trust has developed the proposition substantially. The NHS TDA is therefore, asked to give approval to the changes made to the OBC since the 2010 approval. This obviates the need for repeated scrutiny of several aspects of the OBC such as the strategic case, public and clinical engagement processes and options appraisal. Updated assurance is required on the Estates, Workforce and Affordability aspects of the scheme. The DH Investment Appraisal Unit will undertake the economic appraisal (Value for Money) and commercial appraisal of the scheme.

Background

3. This case relates to the development of a specialist tertiary centre in Sandwell. The Trust currently has two ageing District General Hospitals (DGHs), with significant backlog maintenance liability (£130m) and poor accommodation (Nightingale Wards). The MMH scheme brings all of the specialist acute functions onto one site. The two existing hospital sites become community hubs (to augment the Trust's three existing community sites). These community hubs run the majority of outpatient provision and day surgery. They also accommodate the significantly increased number of intermediate care beds (from 40 to 190) to allow step down care from the MMH facility. In 2003 when this case was developed it was a radical attempt to bring care closer to home, to bring specialties together onto a single site and to consolidate A&E provision – it now aligns well with current thinking. The creation of a single A&E allows the Trust to concentrate acute expertise and move to enhance seven-day working.
4. The approval of this case is happening in partnership with colleagues in the DH Investment Appraisal Team. This parallel approach to approval has been agreed on the basis that it will save time and avoid the duplication of effort. The NHS TDA is undertaking assurance on estates and workforce. Both organisations will look at affordability (although the work undertaken by the NHS TDA should provide a solid grounding for the DH process). The DH will lead a joint conversation with the Trust on the economic case (Value for Money) and on the commercial aspects of the case. Once the NHS TDA approval is in place the DH will finalise their aspects and pass the case to the Treasury's Health Spending Team.
5. This full set of approvals will allow the Trust to proceed to the procurement phase. Their timetable provides for this to formally occur in April 2014 after a Gateway Review. They will then require a further set of approvals in Autumn 2015 before the chosen development partner can commence on site. This timetable delivers a new hospital by autumn 2018.
6. The MMH scheme has full commissioner support (formal letters of support have been received from the Trust's three most significant CCGs). In particular the plan is consistent with emerging Better Care Fund expectations. It is worth noting that the MMH scheme is the central plank of a health economy wide reconfiguration that has been overseen by a partnership board with representation from all strategic partners including both Health and Wellbeing Boards.
7. The NHS TDA worked in partnership with the NHSE Project Appraisal Unit to give assurance on the changes made to the estate aspects of the scheme in the most recent iteration. A detailed report is available from the Project Appraisal Unit based on the outcome of two 'confirm and challenge' sessions; an excerpt from the executive summary states that, "*This 2014 review shows that Public Sector Comparator Variant 10 (2013) is consistent not only with Variant 9 (approved by WM-SHA in 2010) but also the original OBC approved in 2009 and that the Public Sector Comparator remains robust*". The Trust

has made very good progress in preparing for the procurement phase, detailed estates work will be ongoing up to the next approval stage in Autumn 2015.

8. Detailed scrutiny was given to the Trust's revised workforce planning. The Trust has developed a workforce strategy and a set of detailed bottom up workforce planning assumptions on a specialty by specialty level, aggregated by service line, with significant clinical input. The NHS TDA workforce lead states that, *"Modelling has been produced drawing upon available national/international benchmark information for each service, complemented by information on local comparators. This is set against regulatory/professional body's guidance on staffing levels and identification of any emergent best practice"*. The workforce changes are considered to be challenging but achievable. The CIG recommended that the NHS TDA remain in close dialogue with the Trust as they proceed with their workforce planning preparation. A new workforce director for the Trust is being appointed to lead implementation over the next six months.
9. The NHS TDA affordability review drew the following conclusions:
 - income growth assumptions are significant (c£44m) but have been reviewed and agreed by commissioners, reflect population growth modelled by the Office of National Statistics, and are below historic trends.
 - that cost and income inflation assumptions are reasonable and the Trust can demonstrate consistency with Monitor implied efficiency assumptions
 - affordability relies on the receipt of £100m Public Dividend Capital to ensure Continuity of Service Risk Rating metrics are met. The receipt of this PDC funding will need to be formally confirmed by the Department prior to the scheme proceeding to HMT.
 - PFI taper relief is assumed to be funded from 2018/19 to 2022/23 in line with the confirmation of carried forward revenue commitments submitted to the emerging NHSE in December 2012.
 - the Trust is currently, and has for seven years, delivered financial performance in line with plan.
 - the Trust's ten-year Long Term Financial Model shows a Continuity of Service Risk Rating of 3 or better in all years of the base case and in all but 2 years of the mitigated downside.
10. The CIG recommended that the affordability of the scheme be kept under ongoing review, and specifically revisited at the final approval stage, with a particular focus on any changes to transitional arrangements and double running costs.

Recommendations

11. The Board is asked to approve the Outline Business Case for the Midland Metropolitan Hospital