



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 26 May 2016

BY: Chief Officer

SUBJECT: East Lothian Community Hospital Update

1 PURPOSE

- 1.1 This report asks the Integration Joint Board (IJB) to note and discuss the current position with the East Lothian Community Hospital development.

2 RECOMMENDATIONS

- 2.1 That the IJB note the update on progress and discuss any key issues including the revenue gap.

3 BACKGROUND

- 3.1 Attached is an update report from the project team that sets out the issues.
- 3.2 It is anticipated that the Outline Business Case (OBC) will be submitted to the IJB meeting in June 2016 for approval.
- 3.3 There is a revenue gap on the plan for the hospital of 1.5m per annum. This is largely due to increased costs for facilities management and rates. It will be necessary that the OBC indicate how the gap will be closed.
- 3.4 Whilst facilities are not a delegated function to the IJB the costs are a consequence of providing a building in which delegated functions will be delivered to modern standards. This is reflected in the IJB strategic plan.
- 3.5 It is proposed that the IJB should consider meeting a share of the revenue gap from the budgets for delegated functions. This will require an additional efficiency target on the delegated NHS budgets which would be added over the next three years 2017/18 to 2019/20.

- 3.6 The IJB should also be aware that bringing 20 beds into use in the future will require c £1m of revenue to be found. It is too early to be clear on the future use of the beds and therefore where this resource would be found from.

4 POLICY IMPLICATIONS

- 4.1 There are no policy implications of this paper.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 Any outcomes from this report that affect the wellbeing of the community or have a significant impact on equality, the environment or economy will be subject to integrated impact assessments.

6 RESOURCE IMPLICATIONS

- 6.1 There are no resource implications of this paper.

7 BACKGROUND PAPERS

- 7.1 None.

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NHS Lothian

East Lothian IJB
May 2016

Andrew Milne
Project Director

EAST Lothian COMMUNITY HOSPITAL UPDATE

1 Purpose of the Report

1.1 The purpose of this report is ask that the IJB note progress and support the development of the Business Case for East Lothian Community Hospital (ELCH).

2 Recommendations

The IJB is recommended to:

- 2.1 Note that NHS Lothian Finance and Resources Committee agreed three key issues in relation to the project at its meeting on 4th May 2016 that will allow the project to proceed.
- 2.2 The IJB is asked to note the revised programme to Financial Close and the intention to submit the Outline Business Case (OBC) in June 2016.

3 Discussion of Key Issues

3.1 Programme Update

An Initial Agreement was approved by Scottish Government and approval given to proceed to OBC. The OBC is in preparation, based on a capital scheme of circa £70m to provide:

- NHS Lothian Strategic Plan
- Unscheduled Care – Repatriation of post acute rehabilitation from other Lothian hospitals
- Scheduled Care –Minor Surgery, Endoscopy & Outpatients
- Improved facilities to support better physical alignment for integration between social care and third sector organisations
- Co-location of all staff teams in open plan environment
- Quality and Safety
- Re-provision will achieve modern standards i.e. single rooms, en-suite etc.
- Primary Care – GP premises (future expansion)
- Capacity for shared use of internal and external facility for public and community groups

Targeted key dates are:

OBC

Project Board 27th May

Lothian Capital Investment Group 21st June

East Lothian IJB 30th June

Finance & Resources Committee 12th July

NHSL Board 3rd August

Scottish Govt Capital Investment Group 9th August

FBC

Project Board 22nd July (scheduled, extraordinary Board may be required between 9th August & 16th August)

Lothian Capital Investment Group 16th August

East Lothian IJB 25th August

Finance & Resources Committee 14th September

NHSL Board 5th October

Scottish Govt Capital Investment Group 11th October

Assuming approval, this will be followed by Financial Close and a start on site in January 2017.

NHSL are in dialogue with Scottish Government to review Governance timescales to explore if the programme can be improved.

3.2 Review of Surgical Services

A surgical review has been carried out and NHS Lothian's Strategic Planning Committee and Finance and Resources Committee has advised that going forward with a surgical service involving increased endoscopy and minor surgery but without general anesthetic is preferable for ELCH. This will still see a significant increase in the number of patients treated locally. Accordingly the OBC and supporting designs have been prepared to comply with this strategy.

The review has had programme implications meaning the programmed Financial Close is likely to slip back from July 2016 to year end. This will result in inflationary increases on capex with costs likely to increase from £68.9m for construction to circa £70m. However this is still £2m below the agreed affordability cap.

3.3 Decant Costs

The committee agreed in principle that decant facilities will be necessary for some inpatient hospital services. The proposed facility will also provide the opportunity for early repatriation of East Lothian residents from Midlothian and assists the NHS Boards intention to remove patients from Liberton Hospital.

The programme requires the facility to be operational by the end of 2016. This in turn requires the procurement to commence in May 2016. An early November transfer for patients is preferable clinically.

A number of options for decant have been examined and the preferred option was selected on the basis of patient needs, quality and costs (Appendix 1). This option will see modular wards placed on the Herdmanflat site to accommodate patients from both East Fortune House and repatriated patient groups. It is intended that the disposal of the Hopetoun Unit part of the Herdmanflat site will offset much of the decant costs.

Decant costs are anticipated to be in the region of £4.2m including VAT and a supporting paper has been prepared by NHSL Finance (Appendix 2) Scottish Government has verbally agreed to support the costs of the project and formal confirmation is awaited.

3.4 Bed Numbers

The committee agreed that the Hospital should comprise 132 beds plus 14 day spaces. Of the beds 20 will be constructed but not brought into use immediately. The 132 bed projection was based on population modelling to take account of the growth in East Lothian's population up to 2033 which will see the county grow to c 130,000 population. The 20 beds will not be required when the hospital opens in 2020 and will be brought into use in the future.

4 Key Risks

4.1 The current most significant risk to programme and affordability is the current £1.5m per annum revenue gap.

Other immediate risks include:

- OBC not yet submitted

5 Risk Register

5.1 A risk register has been prepared and will be submitted with the OBC

6 Impact on Health Inequalities

6.1 A Rapid Impact Assessment has been carried out. At this time, no significant actions are required. A further assessment will be carried out when design development has progressed.

7 Impact on Inequalities

7.1 A Rapid Impact Assessment has been carried out, at this time no significant actions are required.

8 Involving People

8.1 Partnership members and staff have been engaged throughout the process. There have been frequent meetings with staff during the development of plans.

9 Resource Implications

9.1 The decant expenditure for the preferred way forward is estimated to be in the region of £4.2m.

Andrew Milne

May 2016

List of Appendices

Appendix 1: ELCH Decant Options

Appendix 2 : Costings

ELCH F&R May 2016 - Appendix 1

ELCH Decant Options

Having worked through and considered up to 15 options for the decant of 19 patient from Roodlands Hospital, the following options have had further review and consideration and details are highlighted below for consideration:-

Option	Cost	Challenges	Risk
30 bed Portacabin Modular Unit – Roodlands	£4.2m	Timescale to allow decant Advance build instruction for Car Park works	Impact to re-provision main Contract Planning & Building Warrant Ground work surveys identify unknowns
20 bed Portacabin Modular Unit – Roodlands	£3.6m	Timescale to allow decant Advance build instruction for Car Park works No repatriation	Impact to re-provision main Contract Planning & Building Warrant Ground work surveys identify unknowns
30 bed Portacabin Modular Solution – Herdmanflat (Preferred Solution)	£4.2m	Timescale to allow decant	Planning & Building Warrant Ground work surveys identify unknowns
20 bed Portacabin Modular Unit – Herdmanflat	£3.6m	Timescale to allow decant No repatriation	Planning & Building Warrant Ground work surveys identify unknowns
Crookston Step Down	£1m shift to SC	Alternative solution for SC care step down beds – capacity available locally is currently challenged DD target compromised Out of area step down	Social Care pressure ELC support Impact on system for bed reductions
Belhaven – purpose built	£3.9m circa	Timescale Design & Planning	Timescales for progressing build option unachievable
Balfour – Miles Ward Astley Ainslie Hospital	£2.9m	Out of Area Placement Public Consultation Organisational change for staff Room share for patients	Timescales for implantation is insufficient Unsupported by Senior Nursing Staff Investment in estate under reprovision
Private Medical Care	Not available	Current pressures on	Timescales

provision		places within EL AHP support unachievable	Dependency on availability within Third Sector Previously unsuccessful attempts in Edinburgh

Additionally there would be some minor works required to upgrade Herdmanflat to accommodate the community Physiotherapy Department and some Community Nursing Teams which is included within the £4.2m of the preferred option.

Estimated Costs of works £357k £238m2 @ £1500.00
 Estimate Logistics (removals & pt transfer) £6k

East Lothian Community Hospital (ELCH) Estimated Project Costs and Decant Strategy

1. ELCH – Total Project Cost Update

Based on current spend and estimate expected spend, the estimated total cost of ELCH is presented and summarised in the table below:

Table 1: Development Costs	Total £'000
Project Capex (stage 2 report)	68,879
Delay to Financial Close Date	1,100
<i>Total Affordability Cap*</i>	69,979
Decant (VAT incl.)	4,231
Equipment (VAT incl.)	4,134
NHS Lothian Fees	250
Buildings Warrants and Planning Fees	131
<i>Total expected project costs</i>	78,725

**Agrees to Stage 2 Pricing Report dated 15th March 2016*

The Project Affordability Cap at NPR stage was set at £71,950,522.

The Stage 2 Predicted Maximum Cost is £69,980,081 (inc. cost of delay), which is £1,970,441 lower than the Affordability Cap.

2. Decant strategy and costs

Proposal

- Decant is essential for start and timely progress of the overall programme. Delays in the project can have significant impact on capex through inflation. Current average estimate increase is £235,000 per each calendar month of delay to the programme. To mitigate delay and assist decant it is proposed NHSL rent a 30 bedded modular facility to be placed on the Herdmanflat site. The Unit will accommodate patients from East Fortune House and repatriate East Lothian patients from

Midlothian Community Hospital (MLCH) – allowing MLCH patients to be repatriated as part of the Liberton closure proposal.

- Unit required from 2016/17 to 2019/20
- Other infrastructure work required to accommodate services (eg AHPs) and staff
- Utilising the modular accommodation will still allow the sale of the Hopeton Unit, with marketing beginning in 2016/17. As part of the conditions of sale a phased withdrawal from this area of the site is anticipated to allow units to remain until the opening of ELCH.
- The rest of the Herdmanflat site can be sold following the transfer of Lamerlaw patients to the new hospital
- The Herdmanflat site has been chosen for the decant facility as it provides good clinical adjacencies with the Lamerlaw Unit, is of a suitable size and location and will not impact contractually on the main Project DBFM. An option appraisal has been carried out and appended within the submitted papers (Appendix 1)

Financials

The table below summarises the forecast costs and funds to offset the decant over the relevant years. Costs are VAT inclusive.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/2020 £'000	Total £'000
Module Hire	761	989	989	989	3,729
Infrastructure	472	24	0	0	496
Service Move	7	0	0	0	7
Total Expenditure	1,240	1,013	989	989	4,231
Proceeds from sale Herdmanflat		2,700			2,700
Funding gap	(1,240)	1,687	(989)	(989)	(1,531)

There is a need to progress the decant process as this will avoid any further delays and subsequent inflationary increase on capex.

Given the heavily constrained availability of capital and revenue funding for NHS Lothian, we are seeking assistance from the SGHSCD to manage the different timescales of expenditure and offsetting income. We are requesting a revenue allocation to cover the decant costs to be agreed at OBC, to be offset by the receipt from the South portion of the site. This will enable the programme to continue and avoid or mitigate further inflationary costs.

Managing Decant Funding Shortfall

Current estimates indicate a £1.5m shortfall in available funding, however the aim is to identify mitigating actions to close this gap. We are currently working on various ways to help us to achieve this:

- Value for money analysis on options for modular unit (rental vs. purchase vs. 'preloved').
- Reviewing infrastructure cost and options to reduce where possible.
- Engaging marketing agency to provide up to date market value for Herdmanflat South Unit – anticipated proceeds of £2.7m is a prudent estimate.
- Discussions with VAT advisors regarding options to recover some or all of £600k VAT on modular rental.
- Identify potential NBV of future receipts to offset against decant costs.