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# The big build

**The NHS in England hopes to embark on one of its largest ever new hospital building programmes, which comes after years of capital being squeezed. Seamus Ward reports**

The past 10 years have not been the most positive for healthcare capital spending. With austerity biting, capital funds were transferred to NHS revenue budgets to shore up day-to-day spending. The private finance initiative was ditched and PF2 came and is now seemingly gone, leaving behind only a handful of hospital-building schemes.

Carillion collapsed, leaving two hospitals under construction, though work has now restarted. Capital spending was squeezed, and trusts' use of internally generated funds restricted. Unsurprisingly, backlog maintenance in the NHS increased to £6.5bn.

But there have been recent signs that capital spending will recover and even increase – the biggest being the government announcement of the Health Infrastructure Plan (HIP).

The HIP, unveiled in September 2019, includes a plan to build 40 new hospitals, with the first opened by 2025. The idea is to create more certainty by introducing a rolling five-year programme of large hospital-building projects, together with capital to improve primary and mental health facilities and modernise diagnostics and technology. Estate safety issues would be eradicated, the government says.

The 2019 announcement was followed this autumn with more detail, but not necessarily more clarity. The headlines in the latest announcement said 48 projects are due to be open by 2030.

## Under construction

However, a closer look shows four elements to the announcement. Four hospitals are already under construction, including the two delayed when Carillion went into receivership – the Midland Metropolitan Hospital and the Royal Liverpool Hospital. Four well-advanced projects are waiting for final approval.

While these eight projects are part of the hospital-building programme overall, 40 schemes are due to be built under the HIP umbrella. An initial six projects are in the first phase, which are scheduled to be open by 2025, though the Covid pandemic means this timetable could slip. There are 26 schemes in the second phase (HIP 2), with construction due to start after 2025 and delivery slated for 2030. A further eight schemes are still to be announced.

Some will have found the announcement of funding perplexing. When the HIP was announced in autumn 2019, £2.7bn was allocated to six schemes, with a further £100m of seed funding set aside for the HIP 2 schemes. However, in this October's announcement, it appeared the funding available for 40 projects would be £3.7bn. This included seed funding for HIP 2 projects to help develop strategic outline cases (SOCs). One of the HIP 2 trusts, Torbay and South Devon NHS



Foundation Trust, hopes to submit its SOC in 2021, with its outline business case following in 2022.

The Department of Health and Social Care subsequently confirmed to *Healthcare Finance* that the £3.7bn announced includes £1.6bn of new money and covers the four-year spending review period 2021/22 to 2024/25. The additional funding is needed largely as a result of costs increasing as trusts refine their schemes through the outline and final business case procedures.

The West Hertfordshire scheme, for example (*see box overleaf*), was allocated £400m in the initial announcement. But, with the Department saying the trust could consider higher cost options, available funding has now risen to a potential £590m.

The Department also says that some of the initial £2.8bn would be carried over to the next spending review period, presumably to cover the costs of later than planned delivery or the timing of work on HIP 2 sites. For the sake of simplicity, it may be best to put aside this sum and concentrate instead on the £3.7bn allocated over the next four years.

As the funding is allocated for the period up to 2025, the funding should cover all or most of that needed to build the six hospitals under

HIP 1, giving an average of £500m-£600m per hospital. The funding needed per scheme will depend on final designs and capital availability. Costs to the taxpayer could rise, given trusts' desire to meet net zero carbon targets, for example, or the need to adapt buildings post-Covid. On the other hand, trusts may be able to use internally generated funds or charitable contributions to reduce the need for Exchequer funding.

King's Fund chief analyst Siva Anandaciva says the HIP has, at least, introduced a degree of certainty. 'In the past, people were living from April to March, but in capital terms HIP sets the direction nationally, focusing on five-year chunks.'

But he is worried the focus of HIP is too narrow. He questions whether the annual capital departmental expenditure limit (CDEL) will be largely allocated to HIP spending, with little left for other priorities such as backlog maintenance, which in England stands at more than £6bn.

'The HIP acknowledges that NHS infrastructure is about more than just large hospitals,' he says. 'The health secretary has planned changes with primary and community estate upgrades and changes to the mental health estate, such as getting rid of dormitory accommodation. But there is a risk that the vast majority of the new money on the table will be dominated by the new hospital-building programme rather than wider infrastructure priorities.'

He adds: 'We need a health and care capital strategy, and initial funding for the HIP seems narrowly focused around a hospital-building programme. It doesn't change the need for wider investment in out-of-hospital care.'

Mr Anandaciva says the *NHS long-term plan* has signalled a move to delivering more care in the community and in GP surgeries, but



this cannot be achieved without a capital investment plan. 'The plan is to have more care in the community and for that to happen we need changes in investment in the estate. Part of this will be re-imagining the estate to support greater multidisciplinary working.'

Rebuilding or repurposing existing buildings in the community will not have the same political cachet as cutting the ribbon on a multi-million-pound hospital, he says, but the community and primary care estate must be part of a capital investment strategy if the long-term plan is to be delivered.

### Whipps Cross project

Like many NHS hospitals, London's Whipps Cross Hospital, part of Barts Health NHS Trust, urgently needs redevelopment. A scheme that would see a new hospital built on the current site while services remain open, was named as a HIP 1 development. The new hospital would deliver services currently offered at the site, including A&E and maternity, with the trust committed to establishing the hospital as a

## West Herts scheme

Like many of its peers, **West Hertfordshire Hospitals NHS Trust** has been planning building improvements for many years to replace ageing buildings, unfit for purpose or with high maintenance costs, and to expand capacity. But its plans have failed to get off the ground, falling foul of the capital squeeze on the NHS following the global financial crash of 2008 or new government policies. But as one of the six first phase HIP schemes, it has hope.

The trust is working its way through the outline business case (OBC) stage of the approval process, which it is aiming to finalise in 2021. As part of the OBC, the trust and the local **Herts Valleys Clinical Commissioning Group** have selected a preferred option – a complete transformation of the Watford General Hospital site and improvements at Hemel Hempstead and St Albans City hospitals.

The trust and CCG boards decided against building on a greenfield site after receiving an independent report that calculated the risks as being higher than redeveloping the Watford site (pictured). The potential risks included the need to purchase



land and get planning permission, together with highways and access issues, which could all add up to considerable delays.

If approved, the Watford project would create a new clinical block, replacing almost all clinical facilities on site. Almost all inpatient beds would be in single-occupancy rooms. Hemel Hempstead would get a purpose-built urgent treatment and diagnostics centre, bringing together outpatients and focusing on medical specialties and long-term conditions. The St Albans City Hospital, which is the trust's designated Covid-free site, would be enhanced to continue providing planned surgery and 'one-stop shop' clinics to speed up diagnosis.

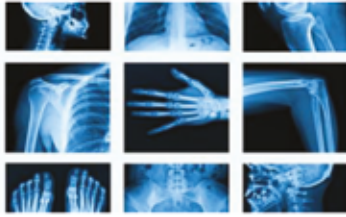
Covid-19 has affected the trust's thoughts on hospital design, including the need for single rooms, the application of digital

technology and the amount of space needed, given that some aspects of services will remain online post-Covid. But the scheme is subject to a judicial review, the outcome of which is due this month.

Overall, the scheme could cost £590m – £540m for the Watford building work and £50m for the work at the other two sites. However, the trust has said it will, like all NHS providers, be working to achieve zero net carbon and invest in its IT, and is working to understand the total funding required through its OBC process.

When the scheme was included in HIP in 2019, its cost was put at £350m-£400m. This has been revised up. The Department of Health and Social Care wrote to the trust to support three options with projected costs of £300m-£590m, including the preferred option. But it insisted that any option of more than the indicative funding envelope of £400m would not necessarily be nationally affordable or supported.

Even so, the £400m should not constrain any proposals – deliverability, completion by 2025 and cost-effectiveness were key to any scheme coming forward, it said.



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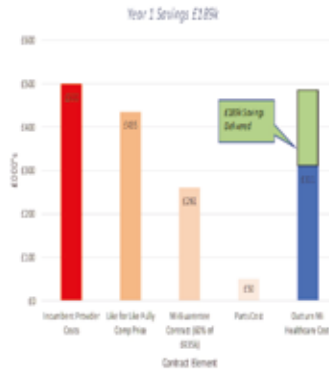


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Alistair Mulvey

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centre of expertise for the treatment and care of frail and older people.

‘The case for investing in a new hospital at Whipps Cross is compelling and undisputed,’ says Adeeb Azam, associate director of finance for the development. ‘North East London has one of the fastest-growing populations in the UK. We expect the number of people in the Whipps Cross catchment area to grow by more than 10% over the next 10 years, and the number of older people within that to increase by a quarter.’

Almost half the current hospital pre-dates the foundation of the NHS itself. ‘If there was no new building, the existing estate would require £170m worth of backlog maintenance to bring it up to an acceptable, but not new, standard – one of the largest backlog bills in the NHS,’ he adds.

When inflation, and other factors such as improved building insulation, are added in, the backlog maintenance costs rise to circa £380m. And even if that was addressed, it would not change the legacy of the existing layout. Services are sprawled over the site, so staff and patients have to travel between them. This is inefficient and means enhanced risks to safety, privacy and dignity, as well as infection control, says Mr Azam.

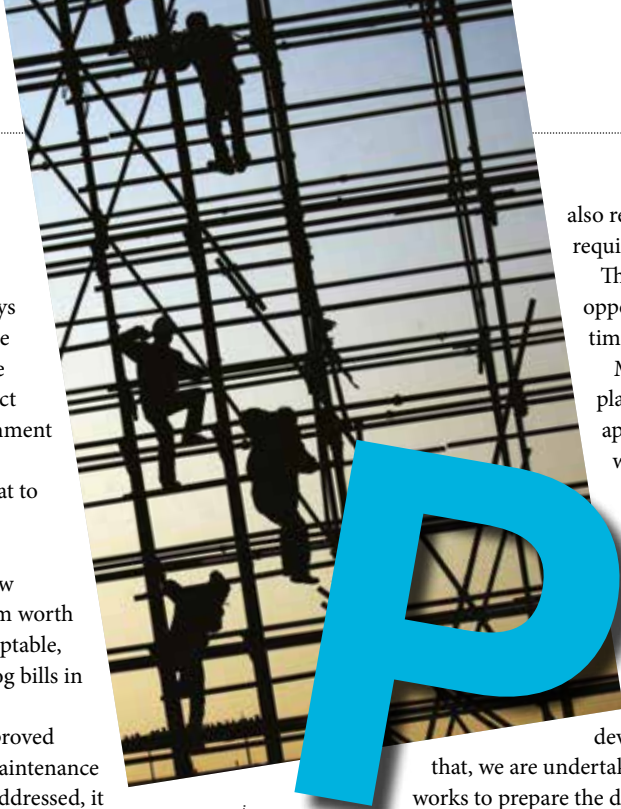
The proposed new hospital would be at the centre of a new health and wellbeing setting, with much needed new homes and other facilities. The redevelopment of the site as a whole would stimulate further economic growth in the area, bringing jobs and businesses, the trust believes.

The work is backed by Waltham Forest Council, closely aligned with local clinical commissioners, and a top priority of the East London Health and Care Partnership for capital investment.

The cost of the scheme is yet to be finalised, with the trust working on its OBC and detailed designs. The trust’s strategic outline case has been approved by the Department, along with confirmation that it can proceed to the OBC stage. This includes an agreement to fund the costs of taking forward the OBC programme over 2020/21.

As with all schemes at this stage, the overall capital requirement from government will be subject to approval by the Department and the Treasury as part of the OBC approval process.

The trust expects the project to be funded in the form of public dividend capital (PDC). Mr Azam says it is also looking at other sources of finance. ‘The redevelopment will include land sales, which will contribute towards funding the new hospital. In addition, we are exploring funding sources such as charitable donations, which could



also reduce the overall PDC funding required from the government.’

The OBC process will be an opportunity to test the projected timeline for delivery of the project.

Mr Azam says that, subject to planning permission, business case approvals and further detailed work, the construction of a new hospital could begin in autumn 2022. ‘We anticipate it will take around four years to build, in a single phase, with the current hospital remaining operational throughout. We will test this assumption as part of developing our OBC. Ahead of

that, we are undertaking a programme of enabling works to prepare the disused site of the former nurses’ accommodation for the construction of a new hospital.

We expect to begin demolition of redundant buildings in early 2021.’

Mr Anandaciva says Covid has had an impact on the HIP hospitals, as it has with virtually all aspects of the NHS. ‘If you are trying to build up Covid resilience, you would definitely be looking at things like more self-isolation rooms,’ he says.

‘If you are building a hospital now, you’ve also got to ask what the needs of patients will be in 10 years’ time. What are you planning for your outpatient department if the use of virtual appointments continues to grow? Will the needs be the same? Increasingly, people seem to be talking about adaptive and flexible spaces in their designs.’

Indeed, Barts feels that Covid-19 has reinforced its plans for Whipps Cross. It has already put in place positive changes on the current site that it has proposed for the new hospital. And it expects to make further changes in response to the expectation that more people will attend services following a referral from GPs or NHS 111. Its early assessment is that more single rooms, more entrances and greater flexibility to partition space in different ways will be needed.

The HIP is a welcome boost for local NHS services, with an initial six hospitals to be redeveloped and 34 in the pipeline. But questions remain: will the plan be thrown off course by economic uncertainty? And will the required funding be available – both for the large hospitals, and primary and mental health schemes, and to tackle the backlog maintenance in other providers? ●

## The business case process

There are **three stages** to the business case process, and for schemes valued at more than £50m, approval is required at each stage from bodies including the Department of Health and Social Care and, ultimately, the Treasury. Commissioner support is also required before moving onto the next stage.

The Treasury’s five-case model – providing the strategic, economic, commercial, financial and management cases for the proposed development – should be followed at each stage. The process starts

with the **strategic outline case (SOC)**, which establishes the case for investment, assesses the main options and provides a recommended or preferred way forward.

The second stage – the **outline business case (OBC)** – is more detailed, reviewing the SOC longlist of options and checking the preferred way forward remains valid. The OBC should include a link between clinical and workforce strategies, while financial and non-financial impact should be assessed.

The final stage, the **full business case (FBC)**, should update the content of the

OBC and address any concerns raised at the OBC stage. It should also show that activity and capacity planning assumptions and modelling are consistent with the delivery of the clinical strategy and align with workforce plans, service developments and efficiency programmes.

HIP 1 trusts are at different stages, mostly at OBC. The West Hertfordshire development hopes to conclude its OBC next year, while The Leeds Teaching Hospitals NHS Trust OBC has been approved by the Department.