

**Croydon Health Services NHS Trust****Request for Emergency Department Design Fees and Fire Costs****1. Background**

- 1.1 Croydon Health Services NHS Trust is a Financially Challenged Trust, forecasting a deficit of £17.8 million for 2013/14, £9.0 million adverse to plan (as at Month 8) – we note there are still some risks in the forecast position. The NHS Trust Development Authority (NHS TDA) is currently supporting the Trust in developing an in-year turnaround plan to mitigate where possible the adverse performance, whilst working to assess the sustainability of the NHS Trust in the medium to longer term.
- 1.2 Croydon Health Services NHS Trust's estate is ageing and is in need of significant refurbishment having not received significant investment for many years. However, of critical importance is the need to improve the quality, and increase the capacity of its existing emergency department. This has been in progress since February 2013, with the NHS TDA approving a Strategic Outline Case (SOC) in May 2013.
- 1.3 The need for redevelopment has been reinforced and hastened in the Care Quality Commission (CQC) report issued in November 2013, following inspections carried out in July and September 2013. In their report, the CQC stated: "We consider that accident and emergency must be improved. While staff employed by Croydon University Hospital are well motivated and tried hard to make the arrangement work, the department has high staff vacancies and the environment in accident and emergency made it hard for staff to deliver good care. The building was badly laid out and lines of sight were poor. The NHS Trust has applied for funding to rebuild its accident and emergency and we believe this would make a big difference to patient experience."
- 1.4 Croydon Health Services NHS Trust is requesting additional capital funding of circa £1.6 million to support the design and initial development of the emergency department facility in the remaining months of 2013/14.
- 1.5 Croydon Health Services NHS Trust is also requesting funding of circa £0.6 million to cover exceptional capital costs incurred as a result of a fire in November 2013. The fire resulted in a number of endoscopy and decontamination units being decommissioned and other additional capital costs being incurred in order to maintain service provision (further details are provided in section 3 below).

**2. Capitalised emergency department design fees**

The total capital cost of the preferred option estimated in the SOC is £17.4 million, which includes £1.6 million of design and professional fees required to develop the Outline Business Case (OBC) and Final Business Case (FBC) in 2013/14, as summarised below (refer to Appendix 1 for detailed analysis).

**Table 1: Design and Professional fees by Business Case stage**

<b>Stage</b>	<b>£'000 (including VAT)</b>
Fees to Outline Business Case	591
Fees to Full Business Case	996
<b>Total Fees 2013/14</b>	<b>1,587</b>

- 2.1 Croydon Health Services NHS Trust is applying for £0.6 million of funding in order to be able to pursue the development of the OBC with the only alternative funding route being the deferral of capital schemes of circa £0.6 million intended for the improvement of clinical areas and the purchase of medical equipment with the consequent impact on quality and patient safety.
- 2.2 Croydon Health Services NHS Trust has no realistic option of identifying a further £1.0 million of capital projects to defer for it to afford the cost of developing the FBC and work on this would have to be deferred until 2014/15 with severe consequences on the operations of the NHS Trust, particularly on the NHS Trusts emergency department.
- 2.3 If the project were suspended until the start of April 2014 Croydon Health Services NHS Trust could potentially incur sanctions or service restrictions placed on it by CQC as a result of quality concerns which are a significant operational risk.
- 2.4 Croydon Health Services NHS Trust is therefore requesting an additional £1.6 million of capital PDC funding to allow it to progress the redevelopment of the emergency department in 2013/14 (and prior to NHS TDA approval of the OBC and FBC).

### **3. Capital fire costs**

- 3.1 Following a fire in the Energy Centre (location of the decontamination facilities for the Endoscopy Unit) on 27 November 2013, the extent of the damage was identified as follows (together with significant repairs required to the fabric of the buildings):
- 1 x duplex sterile machine (destroyed);
  - 2 x duplex sterile machines (need of repair);
  - 5 x endoscopes (destroyed).
- 3.2 The key factor in scheduling patients and minimising the number of procedures to be cancelled is the availability of sterilised equipment. This has resulted in Croydon Health Services NHS Trust leasing a number of scopes and sterile machines to maintain, as a minimum, all of the morning and evening lists and any urgent in-patient procedures. The NHS Trust estimates that this has added an additional £175,900 of cost pressures to 2013/14 Income and Expenditure.

- 3.3 In terms of the capital funding request of £0.6 million, this comprises the following elements (note a detailed analysis of the costs is presented in Appendix 2).

**Table 2: Capital funding costs**

<b>Cost</b>	<b>£'000 (including VAT)</b>
Replacement and repairs of sterile machines as above (inc. repairs to surrounding environment)	462.8
Cost of replacement endoscopes	162.7
<b>Total Cost 2013/14</b>	<b>625.5</b>

- 3.4 The cost highlighted above is below the original estimate submitted to the NHS TDA of £0.762 million and reflects a more accurate estimate of the cost requirement.

#### **4. Prudential Borrowing Assessment (PBA)**

- 4.1 Croydon Health Services NHS Trust has in place a Temporary Borrowing Limit (TBL) of £8.8 million which has been fully drawn down in December 2013. It is likely to need an increased TBL for the balance of the year, before an ITFF application in March 2014 to make financing permanent.
- 4.2 Croydon Health Services NHS Trust fails the PBA assessment and in light of the NHS Trusts significantly challenged financial position (both 2013/14 and the medium term), the view of the NHS TDA's Business Finance team is that it would not be able to afford a Capital Investment Loan and the investment would have to be funded by PDC.

#### **5. Recommendation**

- 5.1 The NHS TDA Business Finance team supports Croydon Health Services NHS Trust funding request of £2.2 million to develop the design of the emergency department (£1.6 million) as well as the capital costs arising from the fire (£0.6 million).
- 5.2 The NHS TDA acknowledges that it is exceptional for funding to be provided ahead of FBC approval; however the CQC has made it explicit that its quality and safety concerns regarding the emergency department are material and it expects progress to be made immediately.

### Estimated Outline Business Case/Full Business Case Fees

Area	To OBC £'000	Additional - To FBC £'000	Total 2013/14 £'000
PSCP	-	-	-
<b>- Millers</b>	<b>345,108</b>	<b>834,988</b>	<b>1,180,097</b>
Business Case			0
<b>- Finnamos - OBC</b>	<b>80,000</b>	<b>40,000</b>	<b>120,000</b>
Project Management:			0
<b>- RKG</b>	<b>33,525</b>	<b>0</b>	<b>33,525</b>
<b>- Sweet</b>	<b>20,160</b>	<b>39,672</b>	<b>59,832</b>
Clinical Planning			0
<b>- HCP</b>	<b>14,284</b>	<b>0</b>	<b>14,284</b>
<b>- Spencer Harrison</b>	<b>5,438</b>	<b>0</b>	<b>5,438</b>
<b>- JI Consultancy</b>	<b>23,306</b>	<b>0</b>	<b>23,306</b>
Architect			0
<b>- Murphy Phillips</b>	<b>33,854</b>	<b>0</b>	<b>33,854</b>
Cost Advisor			0
<b>- Sweet – QS</b>	<b>26,998</b>	<b>20,000</b>	<b>46,998</b>
Planning			0
<b>- LB Croydon</b>	<b>3,000</b>	<b>12,000</b>	<b>15,000</b>
Other			0
<b>- Risk Allowance</b>	<b>5,000</b>	<b>20,000</b>	<b>25,000</b>
<b>- Equipment Consultant</b>	<b>0</b>	<b>20,000</b>	<b>20,000</b>
<b>- Legal</b>	<b>0</b>	<b>5,000</b>	<b>5,000</b>
<b>- CDM</b>	<b>0</b>	<b>4,320</b>	<b>4,320</b>
<b>Total</b>	<b>590,674</b>	<b>995,980</b>	<b>1,586,654</b>

## Analysis of Costs to Replace and Repair Sterile Services Machines

The analysis below is presented net of VAT of 20% (inclusive VAT the total cost is £625.5k per the analysis in Section 3).

Task Reference	Task name	Cost £
1	Builders work	20,000
2	Electrical work	25,000
3	Painting clean room	1,900
4	Painting dirty room	5,000
5	White rock walls	3,000
6	Deep clean room	1,000
7	Air handing unit service	1,000
8	Ductwork inspection	5,000
9	Air testing in clean room	1,000
10	Air sample analysis	-
11	Re-commission washers	10,000
12	Pipe work repair	5,000
13	Pipe plant disinfection	1,000
14	Water tests	-
15	Deep clean dirty room	2,000
16	I.T. cable	2,000
17	Install PCs	Not known
18	Service transfer hatches	1,000
19	Test fire alarms	1,000
20	Hand over unit	-
21	Refurbish corridor	15,000
22	Forensic investigation	Not known
23	Remove damaged machine	5,000
24	Procure new washer	101,250
25	Deliver new washer	-
26	Installation of new washer	15,000
27	Commission new washer	-
28	Builder work associated with new	20,000
	<b>Total EDU works</b>	<b>240,750</b>
	Energy Centre Electrical Panel	20,000
	Energy Centre Electrical Panel	30,000
	Safeguarding offices ceiling	5,000
	Paint room floor flood damage	20,000
	Safeguarding office flooring	20,000
	Cleaning associated with flood	5,000
	Hire or equipment	5,000
	Staff overtime	5,000
	<b>Total excluding VAT</b>	<b>350,750</b>
	Contingency for unknown – 10%	35,000
	<b>Grand Total</b>	<b>385,750</b>