

Croydon Healthcare Services NHS Trust

Emergency Department Business Case

1. Background

- 1.1. Croydon Healthcare Services NHS Trust (CHS) is a financially challenged trust, forecasting at month 8 a deficit of £(12.2)m in 2013/14, £3.4m adverse to plan. There are still some risks in the forecast position. The NTDA is currently supporting the trust in developing an in-year turnaround plan to mitigate where possible the adverse plan performance, whilst working to assess the sustainability of the trust in the medium to longer term.
- 1.2. The Trust's estate is ageing and is in need of significant refurbishment. 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 NTDA approving a Strategic Outline Case in May 2013.
- 1.3. The need for redevelopment was subsequently reinforced in the CQC report issued in November 2013, following inspections carried out in July and September 2013. In their report, the CQC stated: *"We consider that A&E must be improved. While staff employed by Croydon University Hospital were well motivated and tried hard to make the arrangement work, the department has high staff vacancies and the environment in A&E made it hard for staff to deliver good care. The building was badly laid out and lines of sight were poor. The trust has applied for funding to rebuild its A&E and we believe this would make a big difference to patient experience."*

2. Estimated Fees to completion of OBC and FBC

- 2.1. The total capital cost of the preferred option estimated in the SOC is £17.4m, which includes £1.6m 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).

Stage	£000
Fees to OBC	591
Fees to FBC	996
Total Fees 2013/14	1,587

- 2.2. Whilst the trust submitted an OBC to the NTDA in December 2013, it has done this at the risk of exceeding its current CRL if capital schemes of c.£0.6m (intended for the improvement of clinical areas and the purchase of medical equipment) cannot be deferred. The cost of developing the OBC has also added significant pressure to the already challenging cash position.
- 2.3. The Trust has no realistic option of identifying a further £1.0m of capital projects to defer to 2014/15 for it to afford the cost of developing the FBC and work on this would have to be deferred until 2014/15.
- 2.4. If the project were suspended from the start of November 2013 for a period running through to the end of March 2014, then the estimated impact on the programme would be a delay of approximately 6.5 months. As a consequence of this delay, the Trust would have to suffer two winters before completion of the works (the original timeline anticipated only 1 winter). The changes to the key dates are shown at Appendix 2.
- 2.5. The trust is therefore requesting an additional £1.6m of CRL and funding to allow it to progress the redevelopment of the Emergency Department in FY13/14 (and before NTDA approval of the OBC and FBC).

Prudential Borrowing Assessment (PBA)

- 2.6. The trust has in place a TBL of £8.8m which will be fully drawn down in December. It is likely to need an increased TBL for the balance of the year, before an ITFF application in February to make the TBL permanent.
- 2.7. The trust has not completed the documentation required for a PBA, however in light of the trust's significantly challenged financial position (both 2013/14 and the medium term), the view of the NTDA'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.

Recommendation

- 2.8. The NTDA Business Finance team supports the trust's funding request of £1.6m to develop the OBC and FBC of its Emergency Department. The NTDA 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.
- 2.9. The trust recognises that these costs are at their risk if, for any reason, the business cases are not approved in the future.

Appendix 1 – Estimated OBC / FBC Fees

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

Appendix 2 – Impact on Construction Programme if FBC is deferred to 2014/15

Current Stage 3 Programme Option 1A		Adjusted Stage 3 Programme Option 1A (inc 6.5 month delay)	
Planning approval	April 2014	Planning approval	Oct 2014
Agree GMP	April 2014	Agree GMP	Oct 2014
Submit FBC to TDA	May 2014	Submit FBC to TDA	Nov 2014
TDA approval of FBC	Jul 2014	TDA approval of FBC	Jan 2015 (assume end due to xmas period)
Commence Stage 4 - construction	Jul 2014	Commence Stage 4 - construction	Feb 2015
Complete construction	Nov 2015	Complete construction	June 2016