

<p>Yorkshire and the Humber Strategic Health Authority</p> <p>BOARD MEETING</p>	 <p><i>Yorkshire and the Humber</i></p>
<p>Date: 5 July 2011</p>	<p>Report Author: Sue Stockley, Capital Investment Lead Alan Wittrick, Director of Finance</p>
<p>Title of paper: Business Case approval – NHS Sheffield LIFT Tranche 2 Stage 1</p>	
<p>Actions Requested: The Board is requested to confirm that the PCT can progress to stage 2 with the schemes at Bluebell, Darnall, Foxhill and Norfolk Park. The Board discussed these schemes in private session in May 2011, and set a number of conditions for approval of Stage 1. This paper sets out how those conditions have been met.</p>	
<p>Governance Requirements:</p>	
<p>SHA Objectives supported by this paper: Objective: Finest Health Services - the new LIFT buildings will enable healthcare to be delivered in a fit for purpose modern patient environment.</p>	
<p>Risk Management: This paper does not specifically address a risk identified in the SHA's current Board Assurance Framework. However the scheme falls to the approval of the SHA under the DH's delegation of authority for approval of capital schemes.</p>	
<p>Board Assurances: The LIFT scheme will require final SHA Board approval at Stage 2.</p>	
<p>Risk Assessment: The Capital Management Group in assessing the Business Case will confirm that risk is being handled appropriately as part of the on-going project. .</p>	
<p>Communication (including public and patient involvement): NHS Sheffield undertook a three month consultation for each LIFT development and will continue to engage with the four health communities throughout stage 2, construction and following occupation of the buildings.</p>	
<p>Resource Implications: The paper identifies the costs of the scheme, and the PCT's sign-up to funding these within its financial plans together with commitment from those who will hold the budgets in the future.</p>	
<p>Legal Implications: No direct legal implications for the SHA, but the PCT and its partners have taken on-going legal advice as part of the formulation of this LIFT Business Case.</p>	
<p>Equality and Diversity: The new facilities will improve access to high quality primary care and community services for those living and working in Bluebell (Higher Wincobank), Darnall, Foxhill and Norfolk Park, areas which are some of the most deprived in Sheffield.</p>	

Yorkshire and the Humber Strategic Health Authority

5 July 2011

NHS Sheffield LIFT

Bluebell, Darnall, Foxhill and Norfolk Park Schemes
Stage 1 Business Case Approval

Executive Summary

1. The SHA Board discussed the Sheffield Local Improvement Finance Trust (LIFT) Bluebell, Darnall, Foxhill and Norfolk Park Stage 1 Business Case in May 2011, in private session due to commercial sensitivities. The SHA Board agreed, at that meeting, a number of conditions for approval of Stage 1. This paper sets out the conditions of approval and how they have been addressed and seeks permission for the PCT to progress these schemes towards submission of a Stage 2 Business Case for approval.
2. The schemes were identified in the PCT's SSDP in 2002 and again in their 2007 SSDP and confirmed in the PCT's Commissioners' Investment and Asset Management Strategy published in April 2010. The primary objective of the project is to re-provide the services currently being delivered from the existing Bluebell Medical Centre, Darnall Community Health Centre, Foxhill Medical Centre and Norfolk Park Medical Centre and enable additional services (health and community) to be developed. Appendix 1 sets out the key issues in the format previously agreed for the SHA Board approval.
3. The projects proposed are to be procured through the NHS LIFT and have a total capital cost of circa £26m (excluding the £2.3m fees the PCT has paid up front.) The NHS lease cost is £2.4m based on financial close in September 2011. The £0.5m additional revenue requirement allowing for the total impact on the operating cost statement of IFRS accounting is factored into NHS Sheffield's Medium Term Financial Plan. NHS Sheffield has made provision for £0.2m and £3.1m non recurrent costs in 2011/12 and 2012/13 in its 2% headroom. These costs relate to potential impairments and fees paid up front.
4. The contract with Community 1st Sheffield Ltd (the Sheffield LIFT Company) will be for 25 years from practical completion. Stage 1 approval is recommended on the basis that the lease payment is £308 per metre squared (at April 2010 prices). This would be approximately £325 at current prices based on 30 September 2011 financial close. At stage 1 approval, this becomes the affordability cap set by the PCT.

Summary of Scheme and Service Benefits

5. The existing facilities are functionally unsuitable with limited scope for expansion and improvement by internal redesign. The premises do not comply with Health and Safety or Disability Discrimination Act

requirements and there are problems with privacy and confidentiality particularly in the reception and waiting areas. The facilities are all in areas of deprivation. The LIFT scheme will improve access to and the quality of primary care; improve access to routine screening and permit public health interventions to address lifestyle choices such as smoking and alcohol consumption etc.

6. In addition to the re-provision of GP practices, the new schemes will provide:
 - Healthy Lifestyle Services,
 - District nursing, health visiting, midwifery,
 - Minor surgery and minor procedures,
 - Sexual health/family planning clinics,
 - Other community-based services such as anti-coagulation.
 - Counselling,
 - Drug and alcohol support,
 - Physiotherapy.
7. The Central Practice Based Commissioning Consortium has identified a number of specialties that are currently provided in secondary care that could, in the future, be undertaken in primary care. The following services have already been developed by the consortium:
 - COPD
 - Diabetes
 - Pain management
 - Community physiotherapy
8. In addition the consortium is about to mobilise further services in primary care for:
 - ENT
 - Diabetes
 - Gastroenterology
 - Dermatology
9. The services may involve the provision of consultant led services out-posted into primary care or the development of enhanced primary care services. The consortium has also developed a provider company (Central Care Sheffield Ltd) which will be actively interested in further service provision in primary care. Additional space has been included in Darnall and Norfolk Park to accommodate such service developments, but this is relatively modest relative to the total space.

Scheme Costs

10. The capital and revenue costs of the tranche are summarised in the tables below. The capital costs are funded by the private sector partner through LIFT but are provided for information.

CAPITAL COSTS	NHS Sheffield
Land and construction costs	£18m
Fees, set up and other financing costs	£8m
Total (inc VAT)	£26m

ANNUAL REVENUE COST (Stage 1)	NHS Sheffield
Lease payment	£2.4m
Utilities, rates, insurance, cleaning	£0.6m
QIPP Savings Identified	-£2.2m
Income from room rental	-£0.3m
Total	£0.5m

11. The schemes carry an additional revenue cost of approximately £3.0m, before QIPP savings and other income amounting to £2.5m. The £0.5m net additional cost is built into the PCT's single Integrated Plan.
12. The lease plus payment includes a 4.73% swap rate. The lease plus payment includes a 0.63% buffer against current rates. The risk related to this depends on how market rates are expected to move and the length of time to financial close. The lease payment, of approximately £325/m² at 2010/11 prices, will be the stage 1 cap. This price is based on financial close at the end of September 2011. This timetable is challenging.
13. The uncertainty regarding changing structure and form of the NHS means that it is not clear at this stage who will be the successor body to the PCT in terms of holding the LIFT contract. The current plans are for the premises to be occupied by GP Practices, the PCT, and Sheffield Teaching Hospitals Trust, Sheffield Health and Social Care Foundation Trust and other service providers. Despite this uncertainty, DH has not issued a blanket ban on LIFT approvals. However they have stated that the SHA need to see rock-solid agreement to the expenditure commitments, from those who hold the budgets and from those who will hold them. The table below confirms that there is now a proper understanding between those holding the budgets now and GPs and other service providers about how the costs will be met in future.

Conditions of Stage 1 Approval

14. The Board discussions in May centred around consideration of value for money, funding issues and capacity and activity assumptions. The Board

set out a number of conditions for approval of Stage 1 and the table below outlines how these have been met.

CONDITION	RESOLUTION
Confirmation of support from the South Yorkshire and Bassetlaw Cluster Board.	The governance arrangements within the Cluster have not delegated LIFT decision making to the Cluster Board. However they have noted NHS Sheffield support and a letter of support has been received from the Cluster Chief Executive.
Confirmation of support from the GP commissioner consortia.	Letters of support have been received from the North Sheffield Consortium and Central Consortium which, though noting continuing uncertainty regarding the future mechanisms associated with LIFT, recognise the financial commitments and risks being signed up to by all parties, and accepting the ownership of these going forward. In addition a letter of support has been received from the Chair of the Sheffield PBC Consortium.
Receipt of formal stakeholder sign up and financial commitment to the developments in the context of the new system.	Letters of support have been received from Bluebell, Darnall, Foxhill and Norfolk Park medical practices. Darnall Practice Provider staff transferred to Sheffield Health and Social Care NHS Foundation Trust under TCS so the Care Trust has confirmed its support therefore in relation to this element. The other tenants comprise Sheffield Teaching Hospitals Foundation Trust, Sheffield Health and Social Care Foundation Trust and Sheffield Children's NHS Foundation Trust. A letter of support as outlined above has been received from both the Teaching Hospitals Foundation Trust (re community nursing) and the Care Trust. The demise attributable to Sheffield Children's NHS Foundation Trust is relatively small and the PCT has assumed this is a cost pressure for commissioners.
Agreement and resolution of the outstanding contractual issues.	The SHA has worked with the PCT and C1SL to reach a satisfactory position with regard to the contractual issues. Following this there were only three key issues remaining and the PCT was asked to negotiate these bearing in mind the advice received from its legal advisors, the DH Private Finance Unit and SHA. These related to the definition of commercially sensitive information and the need for the PCT to comply with its obligations under the Transparency agenda and FOI, the triggers for replacement of facilities management subcontractors and the tenant's remedial rights. The PCT has concluded these negotiations and it believes that this is the best "deal" that can be negotiated. SHA officers have engaged with these matters and provided

	advice which has not always been adopted. However, we accept that the PCT has the final decision on these matters.
Resolution of outstanding land issues.	Owing to timing difficulties these will now be addressed at stage 2. However due to their nature these will remain a LIFT company risk. These issues must be addressed in order to obtain stage 2 approval. The key issues are firstly unknown rights relating to a tenancy agreement at Foxhill. Indemnity insurance will be taken out to cover this risk but C1SL have been asked to obtain a statutory declaration of clean title from Sheffield Council and for an exhaustive search to be carried out to find the tenant and establish any risk. Failing this the SHA would expect prompt fencing off of the site, an exhaustive search and establish the rights and a clear alternative plan should the risk crystallise. The second issue is the possibility of prescriptive car parking rights at Darnall. Indemnity insurance will be taken to cover this risk. C1SL has agreed to fence the site and leaflet drop to local residents before stage 2 to establish any risk here.
An approved shareholder business plan giving assurance about the financial viability of the LIFT Company.	This will take the form of a minute from the Chair of the LIFT Company and will be formally recorded on 21 June 2011 so is outstanding at the time of writing, but with no problem anticipated.
Resolution of the queries raised by the PCT's financial advisors on the new model.	These have been discussed with all parties and will be addressed at stage 2.
PCT to agree with the individual practices concerned incentives to make the necessary savings both as part of the overall QIPP schemes for Sheffield, but also in terms of the way that the premises are operated and managed on a day to day basis.	Letters have been received from Bluebell, Darnall (The Care Trust), Foxhill and Norfolk Park specifically confirming the development of community based models for diabetes, COPD and heart failure which will require practices to host integrated teams, Integrated Community Teams (primary, community and social care) based around clusters of GP practices and development of GP commissioning consortium initiatives which will require additional primary care space. The PCT has also confirmed the scope of individual practices to contribute to the QIPP programme.
Assurance that the proposal is absolutely aligned to the QIPP plan approved as part of the integrated plan for Sheffield.	The PCT has provided the necessary assurance

I am satisfied that the conditions set out by the Board at its May meeting have been met as far as is practical, and therefore recommend formal approval of Stage 1.

Other Issues

15. Stage 1 approval is on the basis that a maximum £0.5m net additional revenue cost has been factored into NHS Sheffield's Medium Term Financial Plan. Also that at Stage 2, the SHA expects the net additional revenue cost to be no more than £0.5m. It is also on the basis of a stage 1 cap of £308 per metre squared (at April 2010 prices). We don't expect this cap to be breached but any inflationary increase must be met from the £0.5m maximum additional revenue cost.
16. We expect the PCT to seek a District Valuer opinion on value for money at stage 2. We also expect, as usual, the PCT's financial and technical advisors to sign off the reasonableness/value for money of their respective elements.
17. We have asked the PCT to promptly agree and share with us a detailed programme to financial close with clear milestones and responsibilities. Stakeholders have agreed milestones and timescales now and a revised timetable has been received.

Timetable

18. The PCT is aiming to reach stage 2 approval on 12 September 2011, with financial close and start on site in September 2011 and construction completion a year later.

Action

19. The SHA Board is asked to confirm approval of the Stage 1 case on the basis that
 - a) the land issues remain a LIFT company risk and must be addressed in order to get full stage 2 approval and proceed to financial close
 - b) a minute is received from the LIFT company chair, before the SHA Board meeting of 5 July 2011, which confirms shareholder approval of a business plan demonstrating financial viability.

Alan Wittrick
Director of Finance
21 June 2011

**APPENDIX 1: NHS YORKSHIRE AND HUMBER
CAPITAL SCHEMES BOARD PROFORMA**

1. BUSINESS CASE INFORMATION			
Lead Trust/PCT	NHS Sheffield (South Yorkshire and Bassetlaw Cluster)		
Project Title	Sheffield LIFT Scheme	SOC / OBC / FBC LIFT (Stage 1 or 2)	
Date Received	September 2010	Previous Approval Dates	n/a
Gateways Undertaken?	0 1 2 3 4 5 No as risk assessment considered low risk	Scrutiny Panel Discussion and Review The SSDP was presented to the Scrutiny Panel so the PCT has assumed that separate presentation of these schemes was not necessary especially as the PCT do not consider the schemes to represent a major change of service. They involve only single practices and there is no significant change in location.	Yes/No
Outline / Full Planning Consent Received?			Yes/No
Has the scheme been through the SHA's Service Change Assurance Process? The PCT have followed an engagement rather than formal consultation approach so SCAP did not apply.			Yes/No
Key Stakeholders:		Evidence of sign up to scheme?	
North Sheffield Consortium for Health		Yes – for Bluebell and Foxhill	
Central Sheffield PBC Consortium		Yes - for Darnall and Norfolk Park	
Chair of Sheffield PBC Confederation		Yes	
Bluebell Medical Centre		Yes	
Norfolk Park Medical Practice		Yes	
Foxhill Medical Centre		Yes	
Darnall Medical Centre (commitment letter received from Sheffield Health and Social Care NHS Foundation Trust for this as the Darnall Practice Provider staff transferred to the Care Trust under TCS.)		Yes	
Sheffield Children's NHS Foundation Trust		No letter re sign up as a tenant – relatively minor occupier though	
Sheffield Teaching Hospitals NHS Foundation Trust		Yes as tenant in relation to minor occupation re community nursing. Also an unsigned letter dated March 2011 supporting the re-provision of inadequate primary care premises and general need for capacity to host community services and enable the co-	

	location of services in the light of the transition agenda and the integration of acute and community care signalled by the transfer to STH of the majority of current Provider Services. <u>Work is ongoing on impact of QIPP plan on capacity requirements.</u>
Strategic context: Please state the Strategy which forms the context for this scheme and when agreed by Trust/PCT Board and/or SHA.	
The schemes are consistent with the PCT's SSDP which was refreshed in November 2007 and the April 2010 Commissioners' Investment and Asset Management Strategy.	

2. HEALTH IMPACT OBJECTIVES

The delivery of the new LIFT schemes at Bluebell, Darnall, Foxhill and Norfolk Park will enable NHS Sheffield to:

- Better prevention services with early intervention
- Tackling inequalities and improving access to community services
- Providing more support to people with long term needs
- Providing an wider range of services and more choice

3. PATIENT PUBLIC INVOLVEMENT

Please give an overview of how patients and the public have been involved and consulted and highlight any significant changes to the scheme as a direct result of their involvement.

These schemes have been on-going for a number of years, staff, members of the public and community forums have had on-going involvement in the schemes over the years. At stage 2, the PCT will re-establish its local community groups and actively involve them throughout the construction period on all four schemes.

4. DESIGN & SUSTAINABILITY

The PCT is committed to achieving a rating of "Excellent" under the Buildings Research Establishment Environmental Assessment Method (BREEAM).

The Achieving Excellence Design Evaluation Toolkit (AEDET) review has been undertaken and the design is generally good. The PCT is committed to achieving excellence in all areas of design quality.

5. TIMETABLE

	Actual Date	Planned Date
Stage 1 Business Case Approval		5 July 2011
Stage 2 Business Case Approval		12 September 2011
Financial Close		30 September 2011
Construction completion		September 2012

6. FINANCIAL SUMMARY	
	£m
Capital Cost (Outturn Level)	£26m
Revenue Costs (full year)	
Lease payment (April 2010 Price Base)	£2.4m
Utilities, rates, insurance, cleaning	£0.6m
QIPP Savings Identified	-£2.2m
Income from room rental	-£0.3m
Total	£0.5m