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NHS
Gloucestershire Health and Care
NHS Foundation Trust

Development of a New Community Hospital for the Forest of Dean

EXECUTIVE SUMMARY

Full Business Case July 2021

Executive Summary

1.1 Introduction

This document provides an Executive Summary of the Full Business Case (FBC) for the development of a new community hospital for the Forest of Dean (FoD). The document is structured in accordance with the 'Five Case Model' as per Her Majesty (HM) Treasury guidance.

The FBC seeks approval for Gloucestershire Health & Care (GHC) NHS Foundation Trust to invest £23.9m in the development of a new community hospital to serve the people of the Forest of Dean funded from its cash reserves and the sale of the Dilke and Lydney Hospital sites in the Forest of Dean.

This FBC represents the culmination of over five years of planning and preparation and is a significant step change in the ability to provide a modern, fit for purpose environment and enhanced service facilities for the people of the Forest and beyond.

Investment in this new facility will enable the re-provision of services, and subsequent closure of the existing two community hospitals, namely Lydney & District Hospital and the Dilke Memorial Hospital.

The range of services to be provided in the new hospital was confirmed by the Governing body of NHS Gloucestershire Clinical Commissioning Group (GCCG) after the public consultation at the end of 2020 and can be summarised as follows:

- 24 inpatient beds with ensuite bathrooms in single rooms with provision for bariatric patients.
- An urgent care facility, open from 8am to 8pm, seven days a week, supported by a range of diagnostic services.
- Outpatient services, including a range of consultation, treatment and group rooms and additional areas for online consultations for the provision of outpatient services.
- Diagnostic services, including a dedicated endoscopy unit, x-ray, ultrasound and blood-testing (phlebotomy) and space for mobile units such as the Chemotherapy Bus and Breast Screening Service.
- Flexible meeting space that can be accessed by health and care organisations plus wider voluntary sector organisations.

2.0 Strategic Case

2.1 Case for Change

The review into the future of health and social care services within the Forest of Dean was established in 2015 and undertaken by GCCG, overseen by the Forest of Dean Locality Reference Group. The Case for Change received support from both Gloucestershire Care Services (GCS) NHS Trust Board and the GCCG Governing Body in July 2017.

The original Case for Change led to the following agreed outcomes:

- More consistent, reliable and sustainable community hospital services, e.g. staffing levels, opening hours.
- A wide range of community hospital services, including beds, accommodation to support outpatient services and urgent care services.
- Significantly improved facilities and space for patients and staff.
- Services and teams working more closely together.
- Better working conditions for staff and greater opportunities for training and development to recruit and retain the best health and care professionals in the Forest of Dean.

2.2 Strategic Investment Objectives

Five strategic investment objectives have been agreed as part of the case for change along with the benefits that will be measurable after completion of the project. These are summarised as:

1. To facilitate the delivery of sustainable models of care
2. To facilitate an inpatient service that integrates nursing and therapies maximising the rehabilitation potential of patients and maximising the flow and discharge of inpatients in the One Gloucestershire system
3. To facilitate a reliable and consistent Urgent Care service for the Forest of Dean as part of the One Gloucestershire integrated urgent care system
4. To provide a building that meets all foreseeable modern standards, meets the needs of users, is economic to operate and maintain and which will be flexible for current and future requirements.
5. To contribute significantly towards the environment and local sustainability by supporting the journey towards Net-zero carbon emissions.

2.3 Equality Impact Assessment

An Equality Impact Analysis (EIA) for the location of a new community hospital in the Forest of Dean was undertaken by independent assessors in 2018. This focused on;

- scoping the potential impact of locating the new hospital in the different towns of Lydney, Coleford and Cinderford
- establishing whether any specific groups or communities would be disadvantaged if the hospital was to be built in any one of the towns.

A further EIA Assessment was undertaken by the CCG in October 2020 focusing on the Communication and Consultation Strategy and Plan for the new hospital. Analysis of responses by various demographics, e.g. age, gender, health and care professionals, did not show any significant variation when compared with the overall themes from the other respondents.

2.4 Consultation & Engagement

The proposed development has been subject to an extensive consultation and engagement process over many years, covering a large number and wide variety of stakeholders, including:

- patients, carers and their representatives, in how the design will benefit them and accords with their wishes;
- Trust clinicians/frontline staff who have been engaged fully in the design of the scheme and are fully engaged in the assessment of quality, safety and infection control aspects also;
- local residents, members of the public, community groups and public representatives (Local Councillors, MPs etc.) and how this will impact on their lives;
- other health and social care partners, including commissioners (Clinical Commissioning Groups, NHS England) and how it meets their intentions and planning imperatives.

There will ongoing engagement with all key stakeholders throughout the next phase of the scheme and beyond once occupation of the new hospital has taken place as part of the benefits realisation work.

2.5 Conclusion to the Strategic Case

The Case for Change remains unchanged from the OBC stage, although the urgency of the investment has only increased in the intervening years. There are significant patient, quality and safety issues arising from having to continue to provide services from such aged, cramped and functionally unsuitable estate.

3.0 Economic case

In developing the economic case the preferred option developed from the OBC - a single new hospital on the Steam Mills site in Cinderford – has been compared to business as usual which would be the option if the investment were not to proceed.

The Economic appraisal includes the costs and benefits of the hospital facility itself, services moved from the Dilke Memorial and Lydney Hospitals, any new service developments and any remaining services that will continue to be provided in local facilities across the Forest.

No additional options have been identified since the OBC was approved in 2019.

The CCG have led an extensive exercise to understand the range of services to be provided from the new hospital facility and have completed the Stage 2 Assurance processes against all 'five tests' for service change. The commissioning requirements for the single hospital was confirmed in January 2021.

3.1 Schedule of Accommodation and derogations

In developing the Schedule of Accommodation, the following service provision assumptions have been considered:

- Inpatient beds will be configured as 100% single rooms with appropriate day and therapy space and direct access to a pleasant external environment.
- Provision for 2 bariatric beds as part of the inpatient ward.
- A range of outpatient clinic rooms including those designed for flexible use and specialist rooms to accommodate specialist equipment and requirements.
- In the iteration of the Schedule for the FBC, the impact of the COVID pandemic has been considered. It is assumed that there will be a continued demand for remote consultation. Space has been included for booths for virtual consultations. This space can subsequently be converted to a clinical room if experience shows this to be a better use.
- Therapy rooms to accommodate specialist equipment for physiotherapy, speech and language therapy and occupational therapy.
- A dental suite designed to accommodate patients with complex physical and mental health needs.
- The Minor Injuries and Illness Unit scoping has taken account of the planned changes to support minor illness being shifted to being treated within Primary Care as part of their core business.
- Diagnostic facilities including X-Ray and ultrasound plus an endoscopy suite designed to meet Joint Advisory Group (JAG) accreditation standards have been included.
- Clearly designated and separate waiting areas for children and a dedicated area for children's clinics and parent group activity for children and antenatal services.
- A large multipurpose room that can be used both for community events and staff meetings.

Whilst we have challenged the design team to be as economic as practicable, we remain committed to operating to the Health Technical Memorandum (HTM) and Heath Building Note (HBN) standards. As such we have made no major derogations.

Standardised rooms and future flexibility has been considered throughout the design process.

A 70-week construction period is anticipated starting in January/February 2022 with commissioning of the building and occupation from June 2023.

3.2 Costs

All costs included within this economic appraisal are expressed in "real" terms, so that all future costs are converted into current values removing the effect of general inflation. The Comprehensive Investment Appraisal (CIA) model takes into account opportunity costs, capital costs, lifecycle costs and avoided costs.

Revenue costs include the total clinical and non-clinical costs of delivering the service at a real price base, which will also be discounted over the 60-year life of this investment.

This investment creates considerable quality and environmental benefits and underpins the Trust and system requirements to deliver reliable, sustainable services and to meet environmental standards and expectations. Not all these benefits can be sensibly costed in economic terms.

3.3 Reduced costs – incremental benefits

Through the establishment of a new hospital replacing two separate hospitals, significant reductions in clinical inpatient costs, facility staffing costs and building running costs are achieved. Table 1 demonstrates at current values the comparison from current costs to costs operating within the single hospital when full reduction/redeployment of staff has been achieved by 2025/26.

Table 1: Costs at present (Base Case) and from 25/26 (Preferred Option)

Cost category	Existing cost (£'000s)	Costs from 2025/26 (at today's prices)
Nursing	4,152	3068
AHP	352	364
Other clinical	312	270
Clinical non-pay	433	496
Total clinical costs	5,249	4198
Non Clinical costs	1,175	958
Building running costs	499	288
Rates	63	169
Total non-clinical costs	1,737	1415
Total service costs	**6,986**	**5,613**

3.4 Releasing Benefits

The aim has been to gain benefits through efficiencies rather than making additional cash savings as a result of the investment.

- No additional cash savings have been added to the CIA model
- Four Non-cash Releasing benefits have been identified and costed
- Two benefits to society at large have been identified and costed

Table 2: Non cash releasing and societal benefits

Benefit	Type of benefit	Equivalent annual benefit (£'000s)	Discounted value over 60 years (£'000s)
7-day therapy input on the ward	Non cash releasing	219	5,743
Nursing to therapy posts	Non cash releasing	115	3,012
Reduction in MIIU closures	Non cash releasing	52	1,374
Reduce of bed days due to infection	Non cash releasing	17	441
Endoscopy travel savings	Societal benefit	51	1,332
Carbon saving	Societal benefit	30	£787
Total		**468**	**12,689**

The economic analysis calculates the total incremental costs and benefits discounted over the 60 years of the building's life. Table 3 below shows that the benefit to cost ratio of 4.08 over the 60 year life of the new hospital and a risk adjusted Nett Present Social Value (NPSV) of £35,756m.

Table 3: Economic Summary (Discounted) - £'000

	Option 0 - Business as Usual	Option 1 - New Forest of Dean Hospital Build on Steam Mills site (£'000s)
Incremental costs - total	0	(11,595)
Incremental benefits - total	0	47,351
Risk-adjusted Net Present Social Value (NPSV)	0	35,756
Benefit-cost ratio		**4.08**

When the assessment of non-cash releasing benefits (NCRB) are considered, the Preferred Option continues to deliver significant benefits over the period compared with the alternative business as usual.

The cost to benefit ratio has been tested to demonstrate the impact of a number of sensitivities and scenarios to demonstrate the robustness of the Value for Money (VFM) exercise.:

The impact on the benefit-cost ratio is demonstrated in Table 4 below.

Table 4: Sensitivity of cost-benefit ratio to various scenarios

Sensitivity scenario	Benefit - cost ratio
Value-for-Money (VFM)	4.08
VFM after maximum risk impact and probability applied	3.69
VFM after maximum risk impact and probability applied and NCRBs and SBs @50%	3.20
VFM after maximum risk impact and probability applied and CRBs and SBs reduced to zero	2.71

With a high optimism bias and an already high allowance for risk, the economic analysis gives a benefit to cost ratio over the 60-year life of the new hospital of 4.08 and a risk adjusted Net Present Social Value of £35,756 million. The modelling has demonstrated that even taking account of the most adverse scenario identified, a benefit cost ratio of 2.71 would still be achieved. This confirms that this investment gives clear Value for Money.

4.0 Commercial case

4.1 Approach to Procurement

The Trust has considered the main procurement and contract routes for a project of this size and complexity. A formal appraisal exercise was undertaken with the conclusions that the scheme was best delivered via a Design and Build contract with a Construction Partner.

To ensure the timely delivery of the scheme a number of different framework options were considered for the appointment of the main contractor, with three shortlisted frameworks appraised and the Gloucestershire County Council (GCC) Construction Developer Framework selected as the preferred approach.

The Trust's own procurement team and the procurement lead from GCC supported and advised on the procurement process. Five contractors are on this framework. All were approached and submitted a compliant bid for consideration and a robust assessment process was undertaken leading to the appointment of Speller Metcalfe as our lead construction partner.

4.2 Price of contract

This Full Business Case has been completed on the basis of a Not to Be Exceeded Price (NTBEP) plus allowances for all fees, inflation, contingency, equipment and VAT.

A NTBEP differs from a Guaranteed Maximum Price (GMP) in that it is a price based on market rates, soft market testing, Quantity Surveyor judgement and Subject Matter Expert input rather than formal quotations from contractors. As such a NTBEP is caveated, particularly around inflationary pressures and scope creep.

The current construction market is experiencing high volatility and there is a risk of further construction inflation in the period between NTBEP and GMP which remains a Trust risk. Additional contingency allowances have been incorporated into the Economic and Financial modelling to account for this. Once GMP is agreed the fixed construction price results in these risks then sitting with the contractor.

There will be a single design and build contract with the construction partner with the architectural and structural designs the responsibility of the construction partner. There will be a series of works packages that will be market tested with three suppliers in an open book manner. The New Engineering Contract (NEC) standard form of contract will be utilised which allows for a fixed construction price.

4.3 Planning permission

In December 2020, a pre-planning application was submitted and ongoing dialogue with the local planners via the Trust's Planning Consultants has demonstrated this was positively received. Since that time, dialogue with the planners has continued and no areas of significant concern or issue have been raised. We therefore have a high level of confidence that our full planning application will be acceptable to the planning authority.

Following approval of this business case by the Trust Board, a full planning application will be submitted towards the end of July/early August with an anticipated time scale of 14 weeks over the period August to October. An allowance for a potential S106 contribution has been made in the costed risks within the Financial model.

4.4 Sustainability

An underlying principle has been that the new hospital should be as energy efficient as possible, minimising or eliminating carbon and fully prescribing to the principles of sustainable environmental design. The Trust is mindful of Net Zero Carbon targets for the NHS and to deliver the Sustainability Development Unit's requirements.

The building will be built to high thermal insulation standards, employ low energy and controllable lighting and will feature all electric air exchange heating systems. Power will be generated from solar roof panels.

In line with current national NHS Sustainability Policy, the project is pursuing a BREEAM (Building Research Establishment Environmental Assessment Method) 2018 New Build 'Excellent' rating as part of the organisation's commitment to sustainability.

4.5 Equipment

All serviceable equipment currently in use at the Dilke and Lydney Hospitals where it is required, will be transferred to the new hospital and fitted as when needed as part of the contract. Removal costs have been accounted for in the Economic and Financial Cases.

High level indicative capital cost estimates for new equipment or major transfers requiring specialist contractors are included in the costings both in the Economic model and in the Financial Case.

4.6 Land transfers and disposals

Ownership of the Steam Mills site has been transferred from Cinderford Town Council Council to GHC as part of a deal which involves;

- Transfer of the Trust's health centre building at Dockham Road, Cinderford to Cinderford Town Council.
- Relocating the skate park at Steam Mills site to a new site in Cinderford including the design and construction
- Re-providing the Multi-use Games area at Steam Mill site in Cinderford

The Trust Board gave approval to proceed with these works at its Board meeting in May 2021 as we anticipate that completion of these transactions will be cited as planning conditions to the new hospital scheme.

Successful disposal of the existing site at the Dilke and the two sites that make up Lydney and District Hospital is assumed within the financial modelling. The Trust is mindful that the sites have been registered as Assets of Community Value by the respective Town Councils. We are committed to exploring use by other public sector bodies and working in partnership with the local authorities, third sector organisations and local stakeholders to ensure that the all disposal opportunities that offer ongoing public benefit are explored and that our disposal strategy is in line with delivering Best Value.

4.7 Treatment of VAT

The Trust is continuing to work with Liaison Financial and has estimated the current level of VAT recovery which we will continue to review and anticipate that the level will increase once the final cost plan is agreed.

5.0 Financial Case

The high level comparison of capital costs between OBC and FBC are included in Table 5. This shows a significant increase in capital costs against the financial envelope set out at OBC and reflects the significant increase in general construction prices and the upward trend for construction inflation indices rather than a change in scope for the development of the new hospital. Area requirements have in fact reduced slightly since the OBC work with careful space planning.

In addition, there has been an inclusion of equipment costs of c £700,000 as a more detailed review of equipment needs has now been undertaken particularly in relation to the new endoscopy service as this space will be provided on a fully equipped basis to the main service provider (in this case GHT) in line with the arrangements in all our other community locations. This was not known at the point of OBC and costs were therefore not included. We have assessed and confirmed the viability of transferring

x-ray equipment from the existing sites and have confirmed that this will offer value for money as the kit still has circa 10 years of life expectancy.

Table 5: Summary Capital Cost movements between OBC and FBC

	OBC	FBC
	Buildings 4,000m2 @£ 2,403m2	Buildings 3,802m2 @ £3,653m2
Construction cost	9,615	13,890
External works		2,657
Equipment (Endoscopy and re-fitting of existing)		650
Fees	1,202	1,120
Inflation		697
Site acquisition & MUGA works	400	600
Contingency	481	816
VAT	1,748	3,487
Total	**13,443**	**23,918**

GHC is in a healthy financial position having delivered its portion of the Gloucestershire ICS control total in each year since its formation by merger in 2019.

Of particular note, at the end of 20/21 was the cash balance, which has been built up both from prior year surpluses, the charge to Income & Expenditure (I&E) of non-cash items such as depreciation and good management of working capital. This cash on the Trust balance sheet can used for capital investment, as well as providing a buffer for working capital although an ICS Capital Delegated Expenditure Limit (CDEL) is also required for capital expenditure within current NHS guidance.

The plan assumes a small reduction in contracted income associated with overall bed reduction in the new hospital, the Trust is not expecting any other significant variation to contract income that would impact on the overall financial position. The position at the end of month 2 is confirmed in Table 6 below. The cash balance at the end of May 2021 was £54.4m.

Table 6: Forecast position based @M2 21/22

Statement of comprehensive income £000	Original Plan	YTD Actual	Full Year Forecast
Operating income from patient care activities	220,598	38,549	225,360
Other operating income	6,700	928	11,268
Other income	0	0	0
Employee expenses	(170,274)	(28,743)	(169,062)
Operating expenses excluding employee expenses	(53,533)	(10,317)	(64,908)
PDC dividends payable/refundable	(2,701)	(432)	(2,706)
Other gains/losses	0	3	0
Surplus/deficit) before impairments & transfers	**790**	**(12)**	**(48)**
Impairments/exceptional items*			
Remove capital donations/grants I&E impact	100	15	£48
Surplus (deficit)	**890**	**3**	**0**
Adjust (gains)/losses on transfers by absorption/impairments			
Revised Surplus/(deficit)	890	3	0

5.1 Capital costs

The capital costs outlined in Table 7 have been developed through a robust process utilising a combination of market rates, soft market testing with a range of suppliers, QS judgement and subject matter expert input rather than formal quotations at this stage.

Table 7: Capital costs

	£'000		
Description	**Cost**	**VAT**	**Cost Incl VAT**
Construction	13,890	2,778	16,668
External Works	2,657	531	3,188
Works Cost Total	**16,547**	**3,309**	**19,856**
Fees	1,120	224	1,344
Non Works including land & skate park	600	0	600
Equipment Costs	650	130	780
Planning Contingency	817	163	980
VAT Reclaim		(340)	(340)
Sub Total	**19,734**	**3,487**	**23,221**
Inflation Adjustments	581	116	697
Total			**23,919**

5.2 Capital Funding

The Trust is funding the scheme through its cash reserves and the sale of the Dilke and Lydney Hospital sites in the Forest of Dean. This is consistent with the assumptions contained within the OBC and despite the cost increases remains the preferred route. The Trust has consistently delivered surpluses over recent years and has a significant cash balance that will be utilised to support the agreed capital programme.

The Trust intends to dispose of the Dilke and Lydney sites in 2023/24.

The Trust's latest capital expenditure plan reflect in Table 8 incorporates the capital costs for the Forest of Dean Hospital of £23.9m. Detailed capital planning has been undertaken by the Trust to develop the five-year capital plan.

Table 8: Gloucestershire Health and Care Five Year Capital Plan

GHC Five Year Capital Plan	Final Plan	Final Plan	Final Plan	Final Plan	Final Plan	Final Plan
£000s	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
Land and Buildings						
Buildings	3,563	2,500	2,500	1,000	1,000	10,563
Backlog Maintenance	5,657	0	1,050	1,250	1,393	9,350
Urgent Care	750	0	0	0	0	750
LD Assessment & Treatment Unit	0	0	2,000	0	0	2,000
Cirencester Scheme	0	0	5,000	0	0	5,000
IT						
IT Device and software upgrade	200	600	600	600	600	2,600
IT Infrastructure	1,086	996	1,300	1,300	1,300	5,982
Medical Equipment	1,569	0	730	1,030	1,030	4,359
Unallocated	168	0	0	2,300	2,300	4,768
Sub Total	**12,993**	**4,096**	**13,180**	**7,480**	**7,623**	**45,372**
Forest of Dean	3,000	16,000	3,500	0	0	22,500
Total prior to proceeds/donations	**15,993**	**20,096**	**16,680**	**7,480**	**7,623**	**67,872**
Disposal Proceeds		(3,260)	(1,500)			(4,760)
Donations			(5,000)			(5,000)
Total after proceeds/donations	**15,993**	**16,836**	**10,180**	**7,480**	**7,623**	**58,112**

Nb £1.4m spent upto 31.03.21 on Forest of Dean

5.3 Financial Case Assumptions

The financial case assumes that the new hospital will provide all the services that are currently delivered from Dilke and Lydney hospitals (except for a small number retained for locality delivery).

The average annual revenue impact of Business as Usual and the proposed preferred option will enable reductions in clinical inpatient costs, facility staffing costs and building running costs. Table 9 shows the current costs of services operating from the Dilke and Lydney Hospitals and the operating costs from 2025/26 when the full reduction/redeployment of teams will be in effect. Costs are shown at in-year inflated values.

Table 9: Revenue Costs in financial case of 'as is' versus 'with investment' models

	Existing Annual Cost (£000s)	Existing Costs Inflated to 25/26 levels (£000s)	Annual Cost from 2025/26 (£000s)
Nursing	4,152	4,442	3,282
AHP	352	376	389
Other Clinical	312	331	289
Clinical Non Pay	433	463	527
Total Clinical Costs	5,248	5,613	4,487
Non-Clinical Costs	1,175	1,265	1,024
Building Runnings Costs	498	553	335
Rates	63	70	169
Cap charges / depn	697	815	2,024
Total Non-Clinical Costs	2,433	2,704	3,552
Total Service Costs	**7,682**	**8,316**	**8,039**
Directly attributable income (OPD/Endo)	(242)	(259)	(674)
Position Net of Directly Attributable Income	**7,439**	**8,057**	**7,365**

The changes to the recurrent cost base listed above reflect all of the assumptions outlined in the financial modelling section and include the significant movement in capital charges and depreciation which must be funded as a consequence of the new hospital. The overall position demonstrates that the annual service costs in 2025/26 are more favourable following the development of the new hospital than under the existing business as usual scenario.

5.4 Impact on Trust Statement of Financial Position

Table 10 below shows extracts from the Trust's long term financial modelling which demonstrates the balance sheet and cash flow positions each year. The Trust had a cash balances of £52.3m at 31st March 2021.

The Trust's internal cash reserves are sufficient to fund the Trust's contribution to this project. The Trust does not anticipate the need for loans to support its cash position. Working Capital in the Statement of Financial Position (SoFP) is assumed to be consistent throughout the financial model.

The Trust has a strong balance sheet that enables it to make on-going significant investment in its capital programme in future years.

The main impact on the balance sheet is an increase in building assets as a result of this capital project sitting on the Trust's balance sheet as the new Hospital will be owned by the Trust. The Trust's cash flow projections show a reduction in cash from £52.3m in 2021 to a sustainable balance of c. £20m by 2030/31.

Table 10: The Trusts SOFP for years 1-5 and year 10

Statement of Finance Position (all figures £000s)		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26		2030/31
Non-current assets	Intangible assets	488	488	488	488	488	488		488
	Property, plant and equipment: other	110,388	119,681	130,167	133,847	134,726	135,548		134,697
	Total non-current assets	**110,876**	**120,169**	**130,655**	**134,335**	**135,214**	**136,036**		**135,185**
Current assets	Inventories	718	418	218	218	218	218		218
	NHS receivables	6,077	5,877	5,827	5,777	5,777	5,777		5,777
	Non-NHS receivables	5,928	5,928	5,428	5,328	5,328	5,328		5,328
	Cash and cash equivalents	52,333	40,695	30,959	27,429	24,907	24,085		24,936
	Property held for Sale	0	0	0	0	0	0		0
	Total current assets	**65,056**	**52,918**	**42,432**	**38,752**	**36,230**	**35,408**		**36,259**
Current liabilities	Trade and other payables : capital	(5,108)	(5,108)	(5,108)	(5,108)	(5,108)	(5,108)		(5,108)
	Trade and other payables: non-capital	(23,762)	(20,262)	(20,262)	(20,262)	(20,262)	(20,262)		(20,262)
	Borrowings	(107)	(107)	(107)	(107)	(107)	(107)		(107)
	Provisions	(3,526)	(1,526)	(1,026)	(1,026)	(1,026)	(1,026)		(1,026)
	Other liabilities: incl. deferred income	(2,273)	(773)	(773)	(773)	(773)	(773)		(773)
	Total current liabilities	**(34,776)**	**(27,776)**	**(27,276)**	**(27,276)**	**(27,276)**	**(27,276)**		**(27,276)**
Non-current liabilities	Borrowings	(1,363)	(1,363)	(1,363)	(1,363)	(1,363)	(1,363)		(1,363)
	Provisions	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)	(1,423)		(1,423)
	Total net assets employed	138,370	142,525	143,025	143,025	141,382	141,382		141,382
Taxpayers Equity	Public dividend capital	126,578	126,733	126,733	126,733	126,733	126,733		126,733
	Revaluation reserve	6,826	6,826	6,826	6,826	6,826	6,826		6,826
	Other reserves	(1,241)	(1,241)	(1,241)	(1,241)	(1,241)	(1,241)		(1,241)
	Donation reserve	0	0	0	0	0	0		0
	Income and expenditure reserve	6,207	10,207	10,707	10,707	9,064	9,064		9,064
	Total Taxpayers' and other equity	**138,370**	**142,525**	**143,025**	**143,025**	**141,382**	**141,382**		**141,382**

5.5 Impact on Trust Cash Flow

Table 12 below demonstrates that taking account of the current cash balance, future year's depreciation, anticipated disposals and predicted balance sheet movement this five year capital plan can be securely funded.

We have assumed that the Trust will not generate a surplus in future years. Our assessment demonstrates that we would have sufficient cash available each year through to 2025/26 to fund the capital programme, including the FoD scheme at a cost of £23.9m.

Our forecast has indicated this level of expenditure would enable the Trust to continue to operate a significant Operational Cash buffer which we believe is sufficient to cover all contingencies.

Table 11: Impact on Trust Cash Flow

Statement of Cash Flow £000	21/22		22/23		23/24		24/25		25/26			30/31	
Cash and cash equivalents at start of period		**52,333**		**40,695**		**30,959**		**27,429**		**24,907**			**24,736**
Cash flows from operating activities													
Operating surplus/(deficit)	2,300		2,300		2,300		657		2,300			2,300	
Add back: Depreciation on donated assets	0		0		0		0		0			0	
Adjusted Operating surplus/(deficit) per I&E	**2,300**		**2,300**		**2,300**		**657**		**2,300**			**2,300**	
Add back: Depreciation on owned assets	6,700		6,350		6,500		6,601		6,801			7,200	
Add back: Impairment	0		0		0		0		0			0	
(Increase)/Decrease in inventories	300		200		0		0		0			0	
(Increase)/Decrease in trade & other receivables	200		550		150		0		0			0	
Increase/(Decrease) in provisions	(1,500)		0		0		0		0			0	
Increase/(Decrease) in trade and other payables	(1,500)		0		0		0		0			0	
Increase/(Decrease) in other liabilities	0		0		0		0		0			0	
Net cash generated from / (used in) operations		**6,500**		**9,400**		**8,950**		**7,258**		**9,101**			**9,500**
Cash flows from investing activities													
Interest received	0		0		0		0		0			0	
Purchase of property, plant and equipment	(15,993)		(20,096)		(16,680)		(7,480)		(7,623)			(7,000)	
Sale of Property	0		3,260		6,500		0		0			0	
Net cash generated / (used) in investing activities		**(15,993)**		**(16,836)**		**(10,180)**		**(7,480)**		**(7,623)**			**(7,000)**
Cash flows from financing activities													
PDC Dividend Received	0		0		0		0		0			0	
PDC Dividend (Paid)	(2,145)		(2,300)		(2,300)		(2,300)		(2,300)			(2,300)	
Finance Lease Rental Payments	0		0		0		0		0			0	
Net cash generated / (used) in financing activities		**(2,145)**		**(2,300)**		**(2,300)**		**(2,300)**		**(2,300)**			**(2,300)**
Cash and cash equivalents at end of period		**40,695**		**30,959**		**27,429**		**24,907**		**24,085**			**24,936**

5.6 Sensitivities, Downsides and Mitigations

The Trust has approached the financial modelling in a very prudent way, as demonstrated by our capital contingency, alongside introducing an optimism bias into our operating cost model.

The Trust has utilised a not to be exceeded price, with an additional c.£0.8M contingency, which will be superseded by a guaranteed maximum price arrangement. Therefore, a sensitivity analysis on capital cost has not been completed at this stage. The model is, however, sensitive to assumptions around pay and income inflation rates. The table below identifies some of the key sensitivities and their effect on the overall financial benefit over 60 years.

5.7 Conclusion of Affordability

The preferred funding route for the capital programme remains the utilisation of the Trust's cash reserves and disposal proceeds. The finance section demonstrates that the preferred option is affordable to the Trust and continues to offer a significant reduction in risk associated with backlog maintenance and risk of service failure. This

scheme results in cost efficiencies from bringing services onto a single site which outweigh the additional capital charges of the new hospital so the scheme is affordable from a revenue perspective.

6.0 Management Case

6.1 Project governance arrangements, roles and responsibilities

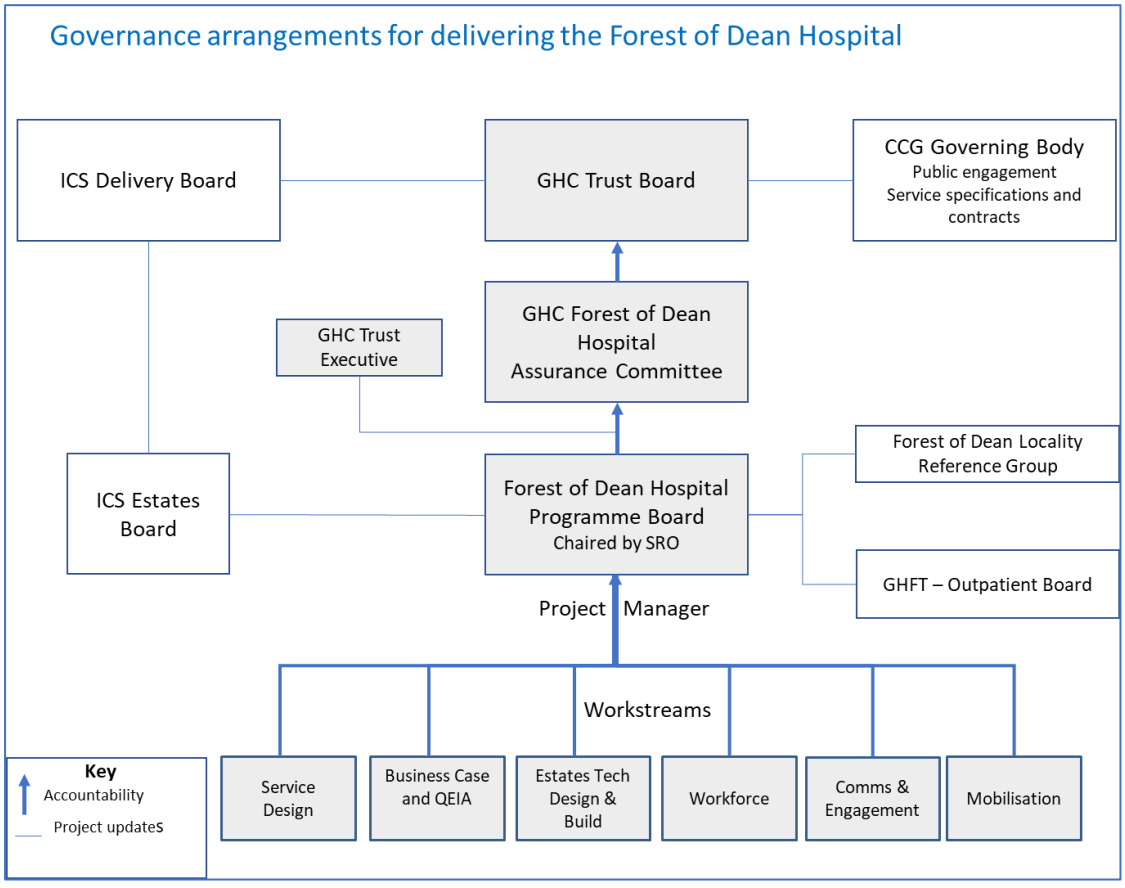
The planning for a new community hospital for the Forest of Dean has been integral to the Trust's estates strategy and is a key part of the strategic planning for the One Gloucestershire ICS and the investment is included within the ICS Estates strategy.

The Trust has established a robust project management structure that is accountable to the Trust Board but will also continue to maintain important liaison and joint working with other groups within the ICS. The governance structure is set out in Table 13 below which shows accountability lines, and key internal and external relationships.

The Trust Board will have overall accountability for the programme and on the basis of this viable and affordable business case will ensure delivery of the agreed investment objectives and the successful completion of a new hospital for the Forest of Dean.

The Senior Responsible Officer (SRO) is the Executive level Director of Strategy and Partnerships who chairs the Programme Board.

Figure 1: Governance arrangements for delivering the Forest of Dean Hospital



A robust change control process is in place to monitor service design and ensure a thorough confirm and challenge process is in place to prevent design creep or cost impacts following design freeze. The SRO is responsible for the sign off of any service change requests following the design freeze stage.

A number of workstreams will be key to planning the detail of the transition, benefits realisation and commissioning of services in the new building along with the ongoing engagement with stakeholders including neighbours, colleagues and wider interested parties. These include the:

- Workforce workstream
- Engagement and Communication workstream
- Mobilisation workstream

All workstreams will provide regular updates and escalation reports to the Programme Board and the FoD Assurance Committee as appropriate.

6.2 Project plan

Key milestones for the investment are set out in the Table 13 below.

Table 12: Key milestones for the investment

Key Milestones	Start date	End date	Key assumptions
Trust Board approves FBC	7 July 21	15 July 21	
RIBA 3 design for planning	14 June 21	13 August 21	
Submission of Full Planning Application	23 July 21	End of October 21	Assuming maximum of 14 weeks and that Pre-planning expectations correctly inform application
RIBA 4 Design	19 August 21	29 October 21	
Tender of packages	1 November 21	10 December 21	Assuming Full Planning Permission is granted
Finalised costs	13 December 21	23 December 21	Assuming tender programme proceeds to plan
Trust Board agrees Guaranteed Maximum Price	12 January 22	12 January 22	

Key Milestones	Start date	End date	Key assumptions
Contractors appointment and mobilisation	12 January 22	8 February 22	Ability to mobilise in given period
Construction starts	8 February 22		
Construction period (70 weeks)	7 Feb 22	12 June 23	
Commissioning of new building and transfer of services from Dilke and Lydney	June 2023	June 2023	Dependent on construction timescale /unforeseen delays
Closure of Dilke and Lydney and availability for disposal	July 2023		

Table 13 outlines the internal gateways which have been agreed to enable detailed review prior to progression to the next stage. Gateways will be overseen by the Trust Board, delegated as appropriate to the Assurance Committee.

Table 13: Internal gateways

Internal Gateways	Date in line with Project plan
Approval of Full Business Case	Trust Board 15 July 2021
End of Design Phase - completion of technical design (RIBA Stage 4)	Assurance Committee October 2021
Confirmation of any NHSEI approvals	November 2021
Final GMP cost and entering into the Construction Contract	Trust Board January 2022
End of construction phase (RIBA Stage 5)	Assurance Committee May 2023
End of Commissioning of new building (RIBA Stage 6)	Assurance Committee June 2023
End of initial operation (RIBA Stage 7)	Assurance Committee Sept 2023
End of Post Project Evaluation	Assurance Committee December 2023
Final sign off and Project Closure (equivalent to OGC Gateway 5)	Trust Board January 2024

6.3 Contingency planning and business continuity

A draft comprehensive transition and implementation project plan has been developed to cover the period leading up to opening the new hospital and the initial operational phase. This sets out broad level tasks for each of the service areas, based on the requirements for the move and informed by the extensive experience gained by managers undertaking similar community hospital commissioning exercises.

The plan covers three phases:

- Preparation phase from July 2021 to November 2022;
- Mobilisation phase from December 2022 to June 2023;
- Initial Delivery Phase from July 2023 to January 2024 when the project is scheduled to be handed over to Trust Operational Management.

Development of the plan will be a regular reporting feature of the Programme Board and will continue to be refined as the scheme progresses.

6.4 Workforce

Detail of the planned changes in staffing structures will involve:

- A reduction of facilities staff of 8.8 wte.
- An overall reduction of ward staff of 35 wte (after conversion of nursing posts to additional therapy posts).
- A reduction in MIIU staff of 2.6 wte.
- An increase in staffing of 9.5 wte for endoscopy.

In addition, the management of change requires close attention to supporting staff, communicating openly and in a timely manner, engaging with staff where possible in the decision-making process, taking staff views into account.

6.5 Communications and Engagement

The aims of the Communications and Engagement workstream are to:

- ensure a dialogue with service users, residents, stakeholders and colleagues to enable input and support in the design and development of the new hospital
- maintain trust with colleagues, the community and stakeholders
- maintain the reputation of the Trust
- ensure timely and factual updates on progress.

To support these goals, regular briefings with Forest colleagues and stakeholders will take place to ensure they are aware of significant developments in advance and to provide assurance and respond to any questions. The Trust has formed a working group with residents of Springfield Drive, on one boundary of the site, and liaises with owners on the other boundary.

A stakeholder mapping exercise was completed by the Communications and Engagement workstream in January 2021. This identifies stakeholders, risk around

non-engagement, methods of engagement and planned frequency of contact. This is being regularly monitored and updated.

6.6 Benefits realisation

The Benefits to be achieved by this investment can be categorised as follows:

- Benefits that will be realised through the agreed design and the satisfactory completion of the building – these will have been achieved in June 2023 when the building is commissioned.
- Benefits enabled by the building but requiring specific action to fully realise. Realisation will be over a period June 2023 to the end of 2025 (beyond the period of Programme Board oversight).
- Benefits as perceived by patients and staff using the building (these will be assessed by the end of the initial operational phase (September 2023 and again before project closure (January 2024).

Benefits realisation will become a key responsibility of the Programme Board in the period leading up to the completion of construction, the transfer of services into the new facility and the initial period of operations (to January 2024).

6.7 Project risks, mitigation and management

The Trust has a well-established approach to risk management which is set out in the Trust's Operation Risk Management Policy. The Trust has a Risk Management Framework in place to steer the way we identify, prioritise, manage and mitigate any risks we face. This approach has been applied throughout the planning process for the Forest of Dean Hospital.

The Programme Board will review programme risk registers on a monthly basis to ensure that all risks have appropriate mitigation strategies and that actions are completed to reduce the risks in a timely manner. Any new risks identified will be appropriately risk rated and assigned a senior risk owner and where appropriate escalated to the Assurance Committee for detailed review.

6.8 Post project evaluation

The Trust is committed to evaluating both the project processes and the success of the investment created through this programme. The Trust has demonstrated its capacity to learn lessons from its previous investments in community hospitals in Gloucestershire.

The programme has already been engaged in the Design Quality Indicator Process (DQI). The process focuses on functionality, build quality and impact for healthcare buildings and is undertaken at various stages over a project's lifecycle and further events will take place at future stages including *Ready for Occupation* stage (around June 2023) and the *In-Use* stage DQI Process around November 2023. These are included in the implementation and transition project plan.

7.0 Conclusion

This FBC represents the culmination of over five years of planning and preparation and is a significant step change in the ability to provide a modern, fit for purpose environment and enhanced service facilities for the people of the Forest of Dean and beyond.

Investment in this new facility will enable the re-provision of services, and subsequent closure of the existing two community hospitals, namely Lydney & District Hospital and the Dilke Memorial Hospital

This FBC demonstrates that the preferred option being taken forward from the OBC delivers a viable and affordable solution to meeting the requirements laid out in the case for change. The Trust has been presented a NTBEP price from its construction partner, Speller Metcalfe and has confirmed that these costs are affordable from a capital and revenue perspective. The economic modelling demonstrates that the scheme offers good VFM when compared to business as usual.