

NHS Trusts – Adopting Good Practices

OGC Case Study

Derby Hospitals NHS Foundation Trust has embraced best practice and reached financial close on one of UK's largest Private Finance Initiative (PFI) schemes in record time.

Derby Hospitals NHS Foundation Trust has broken new ground with the successful financial close of a £333 million hospital PFI scheme - one of the largest PFI projects in the UK. The five-year scheme, already 50 percent complete, involves the remodelling and redevelopment of the existing City General Hospital site in Derby. It represents the future of 21st century healthcare, bringing together the public and private sectors in a partnership that will allow the Trust to fund and sustain state of the art facilities to serve a population of 600,000 people across Southern Derbyshire.

Work is being undertaken for the Derby Hospitals NHS Foundation Trust in accordance with the NHS Plan, which seeks to deliver a health service designed around the patient and fit for the 21st century.

Achievements and Benefits

- Main acute services are brought together onto one site. A number of otherwise separate services will now be able to operate more closely together. **Benefit:** Greater efficiency with better ways of working and improved communication between staff. £5 million of potential revenue savings have been identified as a result of the move.
- The PFI deal was struck at £39.7 million, thus ensuring that the scheme was affordable for the Trust and delivered value for money. **Benefit:** The scheme will deliver up to date facilities to enable the provision of modern healthcare. The additional cost of the scheme is being financed by the Trust from patient activity growth, Payment by Results gain and internally generated cost improvements.
- Successful negotiation with private partners ensured a 'no surprises' approach. **Benefit:** Openness and honesty were maintained and the deal was closed in under 12 months – record time.
- Close communication and partnership working within the project team has been ensured throughout the scheme to date. **Benefit:** The Trust has been able to maintain their high quality services despite operating on a live basis throughout the works.
- Enabling works were planned very early in the process. **Benefit:** An early financial commitment with the contractor has allowed the capital cost of the project to be fixed so that it is not affected by inflation. This promises significant savings.
- Surplus land at one of the main hospital sites is to be sold. **Benefit:** Net revenue from the sale can be invested into other services.
- In conjunction with Nottingham University a postgraduate entry medical school has been developed at one of the main hospital sites. **Benefit:** The medical school will train 90 new doctors a year. On the same site an education centre building has also been developed allowing research into a variety of specialist areas.
- Risk premiums were examined. **Benefit:** A £500K saving per annum for the next 30 years has been identified, delivering a total saving of £15 million.





■ Aerial view of the Derby City General Hospital including Phase 1 of the new build - August 2006

- The building has been designed with future use in mind. **Benefit:** Flexibility of the building will allow capacity to increase by up to 10 per cent if required.
- The first hospital rooftop helipad in the East Midlands has been built. **Benefit:** Helicopter and air ambulance patients need only be transferred once. This compares favourably with the typical three transfers involved when a ground level helipad is used, at a greater distance from the hospital.

Introduction

Derby Hospitals NHS Foundation Trust is one of the top performing Trusts in the country, maintaining its three star status for five consecutive years, and scoring 'Good' for quality of services, and 'Excellent' for use of services in the recent Annual Healthcheck. The Trust provides a wide range of medical, surgical and emergency services to around 600,000 people in and around Southern Derbyshire.

The Trust employs nearly 7,500 staff, from doctors and nurses to housekeepers and porters. In an average year it will see and treat 162,000 people as inpatients, outpatients, emergency patients and day cases. This equates to around 638,000 visits from patients per annum.

Among the first to be awarded NHS Foundation Trust Status, the Derby Hospitals NHS Foundation Trust is currently building a new £333 million super hospital on the Derby City General Hospital site. The new hospital is being built in two phases, the first of which is now complete - the Kings Treatment Centre opened its doors early March 2006 together with the first half of the main acute building. The second phase is due for completion in 2008, with the full transfer of acute services taking place early in 2009. The scheme will provide the very latest in modern healthcare, across a 47 acre site. Together with the Derby Medical School, run in partnership with the

University of Nottingham, the new hospital will become one of the largest teaching hospital sites in the UK.

The new hospital site will be the equivalent of 40 football pitches:

- 120,000m² of new build
- 40,000m² of refurbishment
- 7,400 rooms
- 35 operating theatres
- 1,159 beds
- 1st hospital rooftop helipad in the East Midlands
- Separate ambulatory care centre.

The new facilities are being built in accordance with the results of a formal public consultation exercise conducted by the Trust in 1997. This indicated that Derby City General Hospital (DCGH) should be redeveloped as the main acute hospital and that the Derbyshire Royal Infirmary should be converted into a community facility.

In 2003 a PFI contract was signed between the Skanska Innisfree consortium and the Southern Derbyshire Acute Hospitals NHS Trust, to build and maintain the new hospital on the DCGH site for the next 40 years. This PFI contract is one of the largest, and probably one of the most complex, in the UK. It was also the quickest and best value for money PFI deal to be agreed in the NHS, having taken only 12 months from the final bidder stage to the signing of contracts.

Moving forward, the health community is committed to working in partnership to provide excellent levels of health care. This commitment extends across the spectrum - from the acute hospital, to the community hospital, primary care facilities, home care and the private sector.

Across the two hospitals there is a joint turnover of £313 million a year. The Trust's vision is one of modernisation. Top-level objectives of the programme are to:

- provide a teaching hospital
- centralise all acute services on a single site
- maximise real and deliverable cash efficiencies.



■ Front Entrance of the Kings Treatment Centre

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■ Official handover of the Kings Treatment Centre - March 2006

Aims and objectives

The Trust is committed to delivering a successful PFI hospital scheme, on time and to budget, transforming the delivery of care in the region, raising staff morale, and restoring an emphasis on prevention of ill-health as well as cure.

The high level objectives of the scheme are to provide more efficient and effective acute services in light of growing service pressures. By making more efficient use of the estate, the Trust will be able to achieve and sustain performance levels within the top 25 per cent of equivalent public healthcare providers in the UK.

Specific project objectives are to:

- Ensure high quality and effective services are maintained during the transition period
- Deliver cash efficiencies equating to £5m per annum by reducing or eliminating duplicated services
- Demonstrate that long-term viability and affordability can be maintained
- Illustrate that PFI can offer value for money as a funding mechanism
- Minimise disruption and inconvenience for staff, patients and neighbours during building works.

Approach

With such tight timescales and budget, Derby Hospitals adopted an approach of early involvement and forward planning. At an early stage, all partners clarified the project's 'needs' rather than 'wants', identified risks and produced mitigation plans, developed a common understanding of roles and responsibilities and informed others of progress, avoiding replications and misunderstandings. This has improved project communication and control right from senior management through to operation and delivery teams.

Forward planning is key to the success of this Derby Hospitals project. Significant effort was invested early on by the Trust, the rewards of which are now emerging.

Challenges

The team faced a number of challenges:

- **Identifying a site:** It was important to find a site conveniently located for staff, patients and emergency services, which provided the necessary scope for additional facilities.
- **Stakeholder endorsement:** All potential stakeholders had to be fully committed for the scheme to succeed. Support from staff and trade unions was paramount.
- **Budget restrictions:** This is one of the first PFI projects of its scale in the UK. Working to a tight budget meant that needs had to be deciphered from wants. A private sector partner had to be identified with whom a successful long-term relationship could be formed.
- **Logistics:** The project is challenging, requiring a hospital to run as normal on a live building site. Consideration had to be given to access for emergency services and potential disruption to staff and patients. A one-day delay to Full Service Commencement (FSC) has the potential to cost £130k per day.

Successes

■ Partnership working

A project of this scale and complexity can only be successful if everyone works in unison. The team brought together all interested parties in a forward-thinking partnership between the private and public sectors, drawing on expertise and knowledge from both sides. A Resident Liaison Group was set up to communicate with local people and deal with issues relating to construction and ongoing delivery of services. Succession planning was also put in place to reduce risk. As a result of their careful consideration of the local community, the team has won two Considerate Contractor Awards in two years in addition to a Derby City Partnership award for excellent communications and partnership working with the community.

■ Clinical involvement

Clinical involvement during the planning and design phases is essential to ensure that the end-facility is fully functional. The team involved clinicians from the Trust at the outset, working

around the complicated work schedules and day-to-day pressures that are indicative of work in the healthcare profession. By consulting with the building's end-users, the Trust is able to ensure service-led design and optimum efficiency. This bottom-up approach has been met by high-level support from management.

■ Risk Transfer

The team examined the risk premiums and found that they were able to save money from the budget by taking back responsibility for some of the risk involved. In response, a 'risk framework' was agreed, which identifies potential risks and who carries that risk. As a result of careful risk management and transfer, the Trust and wider team have saved £500K per annum for the next 30 years - that's the equivalent of £15 million over the project life cycle.

The transfer of life cycle risk and long-term maintenance agreements that PFI offers means the Trust will have access to high quality buildings for at least 40 years.



■ Inside the new hospital

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■ Example of a nurses station in the new hospital

PFI agreements:

- provide a way of funding major capital investments, without immediate recourse to the public purse
- involve large construction firms, who are contracted to design, build, and in some cases manage new projects
- typically last for 30 years, during which time the building is leased by a public authority.

■ Flexible construction

The hospital has been designed with the long-term future in mind, with additional theatres added for future growth and the option to add additional beds. The building will have the first roof hospital helipad in the East Midlands, as well as in excess of 16,000 voice and data ports. This will increase the flexibility of the building by around 10 per cent. Greater flexibility of the building's usage is, in turn, expected to see

efficiency rates increase from 92 per cent to 95 per cent, resulting in an additional £3.2 million per annum saving for the Trust.

■ Third party investment

It is essential that the new hospital building is future-proofed. Third party investment has been considered in its design and construction, with a 360-place student medical school (training 90 new doctors a year), accommodation for 350 key workers, a 150-place nursery and a health and fitness centre.

■ Recruitment and retention

In accordance with the 'NHS Plan' and 'HR in the NHS' (two NHS national guideline publications), training has been offered to prepare staff for the new environment and a Jobcentre Plus has been opened on site to recruit new facilities staff.

The Retention of Employment (ROE) model, a policy implemented by the Department of

Health, covers staff employed by NHS Trusts in England, which are involved in PFI schemes. Derby was the first PFI scheme to implement the ROE model in the UK. The two Derby hospitals had previously contracted facilities management (FM) services to the private sector. The ROE model offered all 1,000 soft facilities management staff the chance to maintain their existing NHS contracts, or to transfer their existing employment with external contractors to either the NHS or the new facilities provider. Supervisory staff and those involved in estates maintenance were transferred to the PFI partners under the Transfer of Undertakings (Protection of employment) regulations, known as TUPE.

■ Whole life costing

On a project of this scale, where budgets are tight, it is essential to consider the whole picture and avoid unexpected costs. Sustainability of a project, costs of materials and environmental impact are all major considerations. Under the PFI contract, the Trust has set its inflator at 2.5 per cent. If the actual rate of inflation were on average 2.51 per cent for the lifetime of the concession the Trust would save £30k a year.

Lessons Learnt

- **Affordability** – at the time of signing the agreement, approximately 1 per cent of the Trust's Revenue budget was identified annually over a 5 year period to cover the cost of the PFI development. This was to ensure the project's long-term affordability and viability into its future.
- **Partnership working** - open-book partnership working has ensured the PFI contract was closed in record time, ultimately meaning patients can benefit quicker from treatment in the improved facilities.
- **Future proofing** – by guaranteeing the viability of additional projects in relation to the hospital, the Trust has ensured that the long-term future of the building is sustainable.

- **Early planning** – early enabling works and close involvement of the project team has allowed the Trust to save thousands of pounds over the course of the project life cycle.

Key facts and figures

Key Performance Indicators (KPIs) - The best practice approach adopted by the Trust has resulted in above average performance against National average KPIs (see table).

Table highlighting the performance of the Derby Hospitals PFI project against National average KPIs

Key Performance Indicator	Projects Performance to date	National Average Performance
Cost Predictability Reliability of cost estimates for design & construction (percentage on target or better)	98%	55%
Time Predictability Reliability of time estimates for design & construction (percentage on target or better)	90%	58.5%
Defects Zero or minimal defects (percentage scoring 8/10 or better)	80%	77%
Safety Zero accident incident rate (percentage achieving)	94%	51%

- Derby results compared to the industry average, as per the National Key Performance Indicators. All figures correct at the time of publishing.



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Any feedback on this case study?

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