

The template

This document provides the business case template for projects seeking funding which is made available through the **South East Local Enterprise Partnership**. It is therefore designed to satisfy all SELEP governance processes, approvals by the Strategic Board, the Accountability Board and also the early requirements of the Independent Technical Evaluation process where applied.

It is also designed to be applicable across all funding streams made available by Government through SELEP. It should be filled in by the scheme promoter – defined as the final beneficiary of funding. In most cases, this is the local authority; but in some cases the local authority acts as Accountable Body for a private sector final beneficiary. In those circumstances, the private sector beneficiary would complete this application and the SELEP team would be on hand, with local partners in the federated boards, to support the promoter.

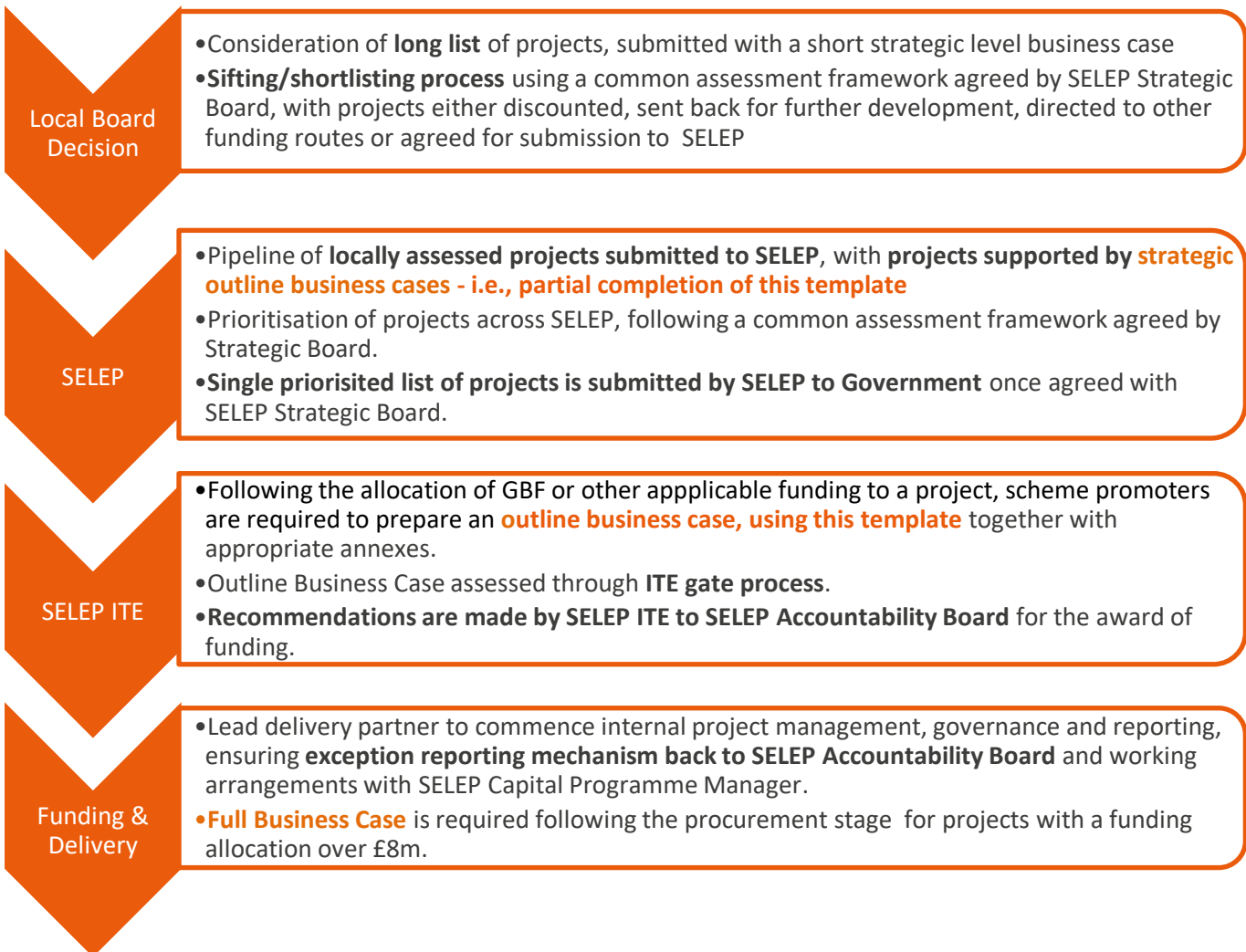
Please note that this template should be completed in accordance with the guidelines laid down in the HM Treasury's Green Book. <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

As described below, there are likely to be two phases of completion of this template. The first, an 'outline business case' stage, should see the promoter include as much information as would be appropriate for submission though SELEP to Government calls for projects where the amount awarded to the project is not yet known. If successful, the second stage of filling this template in would be informed by clarity around funding and would therefore require a fully completed business case, inclusive of the economic appraisal which is sought below. At this juncture, the business case would therefore dovetail with SELEP's Independent Technical Evaluation process and be taken forward to funding and delivery.

The standard process

This document forms the initial SELEP part of a normal project development process. The four steps in the process are defined below in simplified terms.

Note – this does not illustrate background work undertaken locally, such as evidence base development, baselining and local management of the project pool and reflects the working reality of submitting funding bids to Government. In the form that follows:



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1. PROJECT OVERVIEW

1.1. **Project name:**
Alex Training and Education facility

1.2. **Project type:**
Site development

1.3. **Federated Board Area:**
Success Essex Board

1.4. **Lead County Council / Unitary Authority:**
Essex County Council

1.5. **Development location:**
The Princess Alexandra Hospital Trust
Hamstel Road, Harlow CM20 1QX

1.6. **Project Summary:**
It is recommended that the Trust Board approve a modular training facility to be situated under Charnley Ward. It is proposed that this facility is used by Medical Education, Corporate training, Library, Clinical Skills & Simulation and Resuscitation services.

1.7. **Delivery partners:**

Partner	Nature of involvement (financial, operational etc.)
<i>Princess Alexandra Hospital NHS Trust (Lead Applicant)</i>	Delivery and finance lead

1.8. **Promoting Body:**
The Princess Alexandra Hospital NHS Trust

1.9. **Senior Responsible Owner (SRO):**
Fay Gilder – fay.gilder@nhs.net

1.10. **Total project value and funding sources:**

Funding source	Amount (£)	Constraints, dependencies or risks and mitigation
Internal Trust funds	4,202,000	None. Risks are already largely mitigated due to the project already being started. Risks of £568k have already been recognised within this value and actualised
SELEP funds	500,000	Approval of this case
Total project value	4,702,000	

1.11. SELEP funding request, including type (LGF, GPF, GBF etc.):

As outlined above the SELEP funding sought is £500k to contribute to the project. This would not constitute state aid. Without this £500k support, the project is likely to have to be paused at least in the short term as the COVID-19 pandemic requiring the Trust to reassess the prioritisation of capital spend, with a number of urgent medical equipment and estate works now needed (e.g. roof repairs) to ensure the Trust can continue to operate effectively. Without the additional financial support, it is likely the shell of the building will be completed in January 2022, but the remaining internal works and equipment will not be purchased and are unlikely to get approval for 2022/23 capital funding due to other largely and bigger priority commitments for capital within the Trust.

1.12. Exemptions:

The business case for this scheme is not subject any exemptions.

1.13. Key dates:

The project started in December 2020 with the initial external assessments of costs to complete the costs. Upon approval of the case, physical works started in March 2021

1.14. Project development stage:

Project development stages completed to date			
Task	Description	Outputs achieved	Timescale
Feasibility	Production of layout plans and performance specification for MEP works	Signed off layout by HCG leads and SRO	
Initial design and creation of the BC	Completion of BC and option appraisals	Business Case	December 2020 to March 2021
Approval of BC within Trust	Presentation of BC and approval via the Trust's governance processes for approval onto the capital plan.	Business Case approved internally and works started commenced	March 2021
Tender	Competitive tendering stage	Sent out via Procurement Department for compliance with short timescale return	
Evaluation	External and Internal assessment of tender returns for recommendation.	Instruction to proceed with a direct award via agreed framework route CCS due to timescales on ned for space to	

		relocate departments under H & S and Lease collapse reasons	
Seek direct ward costings	Approach on site framework supplier to cost	Agreed costing and instruction to raise order and contract to complete by winter period	
Project development stages to be completed			
Task	Description		Timescale
Works completion	Completion of the building works and site becoming operational		December 2021/January 2022

1.15. Proposed completion of outputs:

Building will be operational by end of February 2022.

Area of new or improved learning/training floorspace – 4246

2. STRATEGIC CASE

2.1. Scope / Scheme Description:

Existing Medical Training facilities and library services are located within Parndon Hall and Corporate training facilities are located in Harlow college (leased space).

Existing Medical Training facilities are located within Parndon Hall, a listed building. Parndon Hall, however, is not fit for purpose. Extensive building maintenance is required, including work on the roof, walls, floors, electrics, and plumbing. There is also a list of backlog work which is increasing year by year. The state of the building poses a risk to the safety and welfare of staff and the building remains a risk on the Facilities Risk Register. Repairs and refurbishment are estimated to cost £5.3m.

To continue to meet contractual demands with our main commissioner, Health Education England, the Trust needs to provide alternative on-site facilities for medical education teams to operate in and deliver essential services to Trust Staff and Students on placement to the Trust.

High-level benefits & risks for proposed solution

The new facility will provide a safe space in which medical education and corporate training can operate, and enable stakeholders to develop their services and provide income generating opportunities for the Trust while contributing significantly to our reputation as a place of excellence in which to work and be trained.

This option will enable improvement against all of the Trust's 5 Ps.

- Our Patients: Improved evidence-based professional learning which supports clinical care
- Our Performance: Ongoing good or outstanding reports of educational performance
- Our People: Improved support to staff in life long interprofessional learning opportunities which are in close proximity to clinical care, accessible and convenient.
- Our Places: Improved quality of the non-clinical learning environment
- Our Pounds: Increased provision of prestigious national and regional course delivery providing departmental income to enable sustainability

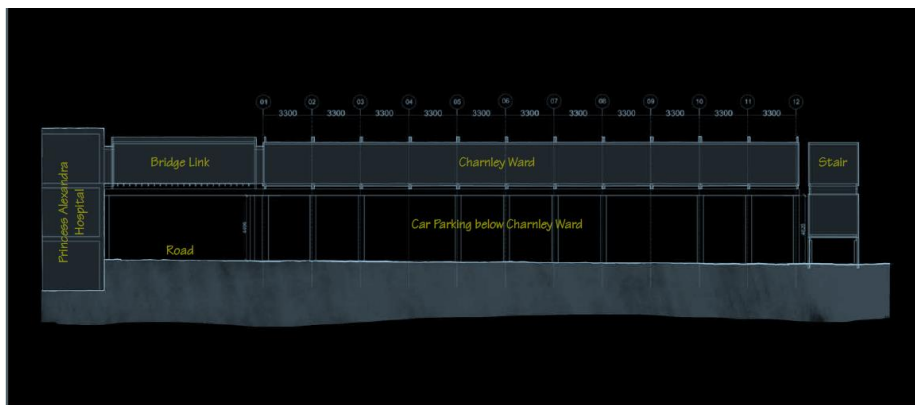
Corporate training is delivered out of Harlow College with a lease set to expire August 2021.

2.2. Logic Map

Inputs	Outputs	Outcomes	Impacts
<p>Grant Spend £0.5m</p> <p>Matched Contributions Spend £4.202m</p> <p>Leveraged Funding £0m</p>	<p><i>For all schemes:</i> The scheme will deliver a safe and modern space in which medical education and corporate training can operate a centre of excellence with floor space of 972m²</p>	<p>The trust will achieve 88% compliance rate on all statutory and mandatory trainings.</p>	

2.3. Location description:

New site is located beneath Charnley Ward which is part of The Princess Alexandra Hospital Trust site.



2.4. Policy context:

The state of Parndon Hall also puts the Trust's ability to meet contractual demands from its main commissioner, Health Education England, at risk. These demands require that professional education for students and trainees is provided on site, and that access to quality services and physical space as part of the learning environment meets the needs of the current and future workforce (Knowledge for Healthcare Policy Statement, Jan 2021). It is also required that clinical based learning (simulation, clinical skills and resuscitation) and library services are delivered on site enabling accessibility and no external travel.

2.5. Need for intervention:

Existing Medical Training facilities and library services are located within Parndon Hall and Corporate training facilities are located in Harlow college (leased space).

Existing Medical Training facilities are located within Parndon Hall, a listed building which is no longer fit for purpose. Extensive building maintenance is required, including work on the roof, walls, floors, electrics and plumbing. There is also a list of backlog work which is increasing year by year. The state of the building poses a risk to the safety and welfare of staff and the building remains a risk on the Facilities Risk Register.

Growth in medical students from both Anglia Ruskin (ARU) and Queen Mary university of London (QMUL) is expected in coming years and some of this growth is predicated on being able to provide an adequate training facility. This growth would bring in income from both ARU and QMUL, who already give us close to £1 million to support medical student training. Significant growth in GP trainees using facilities is also expected, with an extra 25GP trainees starting this summer. All of these doctors in training will need the facility for lectures, learning and simulation experience.

The trust has received feedback during the pandemic that students and trainers are not happy with the online learning environment; a new training facility is essential to providing face to face training and more space will be required to deliver pre-pandemic levels of training due to social distancing.

Corporate training is delivered out of Harlow College with a lease that expired August 2021.

2.6. Sources of funding:

The Trust has looked to fund a majority of the funding itself through internal means. The total project is expected to cost £4.3m, so the Trust has looked at various options including consideration of private sector sponsorship and funding. This has proved near impossible to obtain due to the COVID-19 pandemic. As such the Trust has looked at other regional NHS funding and the SELEP to help provide funding to enable the project to be funded. While n-regional NHS funding has been available, the Trust was able to obtain some additional capital allocation from the Hertfordshire and West Essex Integrated Care system, which has enabled the Trust to expenditure.

2.7. Impact of non-intervention (do nothing):

Do nothing risk will mean risk to safety and welfare of staff. Extensive building maintenance required. Building is aged and will continue to fall into state of disrepair that will make it unsafe and impractical for staff to work in. Areas deemed unfit for purpose already closed off. Corporate training will have no site for face to face training as the Harlow college lease cannot be renewed. This training includes statutory and mandatory training which is critical for staff to undertake to ensure safety of our patients.

2.8. Objectives of intervention:

Have a facility that provides a safe space in which Medical Education, Corporate Training, Library, Clinical Skills & Simulation, and Resuscitation can operate.

2.9. Constraints:

None known

2.10. Scheme dependencies:

No scheme dependencies

2.11. Expected benefits:

The new education facility will enable improvement against all of the Trust's 5 Ps.

- Our Patients: Improved evidence-based professional learning which supports clinical care
- Our Performance: Ongoing good or outstanding reports of educational performance
- Our People: Improved support to staff in life long interprofessional learning opportunities which are in close proximity to clinical care, accessible and convenient.
- Our Places: Improved quality of the non-clinical learning environment
- Our Pounds: Increased provision of prestigious national and regional course delivery providing departmental income to enable sustainability

2.12. Key risks:

Due to the continued covid risks and winter season, the project may not continue as planned and potentially spill into Spring 2022. Building should be operational by end of February 2022

Regular meetings taking place with [REDACTED] will keep us up to date with any potential changes. The project is managed via the JCT contract.

3. ECONOMIC CASE

3.1. Options assessment:

Recognising the need to provide a facility for Medical Education and Corporate training teams to operate in, that is both safe and meets the contractual demands of Health Education England, The Trust has gone through a process of exploring several options over the last year.

As part of this process, variations of new purpose-built facilities have been explored. Notably, a feasibility study for a three-storey permanent building (the 'Derwent Centre') was conducted. This was subsequently ruled out based on cost and appropriateness in the context of the new hospital announcement. Given new facilities were being explored, the Trust also considered whether it would make sense to incorporate the Corporate Training team into the scope of these options, since they currently operate out of leased space at Harlow College.

Options considered:

- Option 1: Do nothing
- Option 2: Refurbish Parndon Hall
- Option 3: Build modular Training Facility under Charnley Ward for mixed use
- Option 4: Build Modular Training Facility under Charnley Ward, primarily for Postgraduate Medical Education Use

Option	Proposal Name/Status	Proposal Summary
Option 1	Do nothing	Stay in Parndon Hall in its current state.
Option 2	Refurbish Parndon Hall	Refurbish Parndon Hall. It is estimated that current backlog work and refurbishment activities will cost £5,344,000 (Source: Report from ██████████ Chartered Quantity Surveyors dated 2/12/2020).
Option 3	Build modular Training Facility under Charnley Ward: Mixed use	Build a training facility under Charnley Ward that is used as a completely agile, flexible space for the trusts training needs (medical and corporate) and as a meeting room facility. This, combined with capacity at Kao park, will help enable the surrendering of Harlow College Lease (recommended)
Option 4	Build modular Training Facility under Charnley Ward: Primarily Postgraduate Medical Education Use	Build a training facility under the Charnley Ward that, is primarily used by Postgraduate Medical Education teams (Medical Education, Library, Clinical Skills & Simulation and Resuscitation services) (phase 1).

		As soon as the medical education team is established in the new facility, they will look at how any spare space can be used and shared with Corporate Training
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3.2. Preferred option:

Option 3 is the recommendation being made and is evaluated in full in the rest of this business case. It is expected to be operational at the end of February 2022, however there are risks associated with COVID-19 and this being on a hospital site which could delay the project to Spring 2022.

3.3. Assessment approach:

Option 1 is not a feasible option as it is essential that Medical Education is delivered on site in a safe environment.

Option 2 has been ruled on the basis that it is too expensive to undergo at least £5.3m refurbishment works before contingency and inflationary risks

Option 4 is ruled out as the trust will still have to figure out how to accommodate Corporate training when the Harlow lease runs out since the space for the corporate training would only be available ad hoc.

The methodology includes the following:

Time period of the assessment

In the analysis it is assumed that the investment would lead to benefits for the life of the asset. The current expectation from the assessors is that the asset would have a 28 year useful economic life. The Green Book States “Costs and benefits should be calculated over the lifetime of the intervention or asset.” We have therefore assumed a time horizon for the economic appraisal of 28 years

Timing of spend

For all scenarios a planned timing of spend was used, relying on the assumption of the project was started 2020/21 financial year with an initially planned completion of the project in July 2021. However due to COVID-19 and this has now been delayed to a completion date of February 2022. Current spends are in line with this revised completion date.

Impacts

The range of potential economic impacts deliverable that can be adequately tracked are in the learner outcomes that will be delivered through the project upon completion

Additionality

While there is a potential for additionality of outcomes with a mixture of on site and virtual learning as well as the impacts on costs and potential income, we have not applied any multipliers to learner outcomes, to avoid increasing bias within the project.

Sunk costs

No sunk costs have been included within the project costs due to the project having already started. However should the Trust not receive the additional funding requested from SELEP the project would risk being paused potentially indefinitely at least for the next year as the Trust is

having to prioritise replacement of medical equipment and other operational capital costs (e.g. roof replacements) over this scheme.

Leakage: The HCA Additionality Guide (2014) advises a 9-14% factor is applied for education / skills projects. A factor of 12% has been assumed at the local level to account for the learning outcomes which may move out of the area once qualifications have been achieved. This has been applied within the economic impact modelling.

Substitution

In line with standard approaches to substitution, BIS benchmarks suggest this is a negligible issue for this type of development and as such we have not applied any impact to the case.

Optimism Bias

In preparing the Appraisal we have reflected the potential for Optimism Bias by using the Supplementary Green Book Guidance and applied the five-step approach. While this would have given us an optimism bias of 10% at planning stage, we believe this is fully mitigated given the position of the project in terms of being close to completion, no optimism bias has been applied to the capital or revenue costs, on top of a consideration of sensitivity analysis set out in section 3.9 below.

Learner outcomes

Current training site average 50 individuals per day. Based on the anticipated learning outcomes from the new centre we used the average for men and women individual net lifetime NPV over 2 years of work only as a proxy (based on the BIS (2011): The Returns to Higher Education Qualifications). The new site will double the current numbers of training. Inflationary uplift on salary benefit has only been assumed at 1% in line with average NHS pay increases over the last 15 years. This would equate to £5,122 per learner/

3.4. Economic appraisal assumptions:

The following economic appraisal assumptions have been made in order to undertake a comparable and appropriate appraisal of each of the three options. These are set out below

- The comparisons have been taken over 28 years which is the Expected Useful Economic Life of the preferred option building
- The current site rental and running is expected to increase by an average of 5% per annum due to energy, staffing and other inflationary costs. This is based on review of the overall market and expectation from negotiations with other education sites. Over the 28 years this would equate to £3.684m.
- The saving do nothing rental site would provide mitigation to preferred option of equal value. Any sensitivity adjustment on this would inversely impact the preferred option
- Present values have been calculated using a 3.5% discount rate as set out in the Treasury green book
- The present value of the benefits are outlined in 3.3 above where the average staff member additional degree level qualification salary for 2 years have been taken into account.

3.5. Costs:

The Scheme is being led by a public sector body (The Princess Alexandra Hospital NHS Trust) and is funded from internal capital funds of £4.202m with this case requesting a further £0.500m as a grant from SELEP to support in the delivery of the project. The price base for the case is at 2021/22 levels. All values have been assessed at present value using 3.5% discount rate as outlined in the Treasury Green book.

The project was started in 2020/21 with the Trust's initial application for funding Through SELEP rejected. Appendix 1 outlined the capital spend profile for the start of the project and first 3 years operation. This has been broken down between Construction costs, external management and internal project management costs, contingency (£226k) and COVID delay costs (£568k) and equipment costs (£420k). No further costs are expected for the monitoring or evaluation of the project which will be undertaken by an internal project evaluation team within the Trust. As a result, additional costs are expected to be incurred for the capital element of the project.

As outlined above the project has already started and there are currently no identified sunk costs, which have been omitted from the economic appraisal.

Any additional inflationary costs for the capital works can be managed within the contingency attributed to the remaining costs. Inflationary considerations for ongoing revenue elements of the case have been assumed at 3.5% for costs over future years.

3.6. Benefits:

- Air quality – Facility is to be a fully serviced space with filters on supplies and attenuation on extraction systems with low noise options on plant
- Crime – Facility has a Trust approved access control system to the area via electronic capture with already covered by site wide CCTV monitored in Main Security
- Private Finance Initiatives – N/a
- Environmental – Facility meets building control measures for compliance
- Competition – Facility completed via approved framework strategy
- Energy use and greenhouse gas emissions – Facility meets building control measures for compliance

Expected financial benefits

Income benefits outlined above are as a result of the ability to deliver additional National Resuscitation courses and Royal College courses/examinations in the new facility. This is based on current course activity profiles plus demand for delivering prestigious Royal College courses/examinations. It is also worth noting that if the medical education teams are not provided with a new facility in which to operate the current levels of income generation would also be at risk (>£200k per annum).

Financial benefits include Harlow College lease savings of ~£60,000.

There may additional savings arising from business rates rebates resulting from the change of use of Parndon Hall. It is too soon to estimate a figure for this as usage of Parndon Hall will need to be formally assessed.

Expected non-financial benefits

Several non-financial benefits are expected to be realised from the new facility and are outlined in detail in the Benefits table.

In summary, the facility will provide a fit for purpose, contemporary learning space for staff; enabling reflection, and dedicated study spaces for “collaboration, interaction and tacit knowledge exchange” (Corrall and Jolly, 2019). This includes IT infrastructure and learning spaces, not only for classrooms but practical engagement within simulation, clinical skills and resuscitation.

Many of the benefits align with two of the ‘Your future, our hospital’ main aims:

The facility will also enable improvement against all of the Trust’s 5 Ps:

Our patients: Professional learning from an evidence base supports clinical care.

Our people: Staff are enabled and supported in life long interprofessional learning opportunities using contemporary methods of education, supported by knowledge and information.

Our performance: Ongoing good or outstanding reports of educational performance from GMC survey, HEIs, medical schools, national bodies and regional schools.

Our places: The quality of the non-clinical learning environment is vastly improved enabling both practical and formal classroom learning. Physical learning and well-being spaces to meet the needs of current and future workforce, educators and learners (Knowledge for Healthcare Policy Statement, Jan 2021).

Our pounds: Relocation allows regular provision of prestigious national and regional course delivery providing departmental income to enable sustainability.

Benefits table

Benefits	Description
Improved clinical development opportunities	High quality development opportunities, equivalent to elsewhere will be available to all staff.
Improved staff recruitment and retention	High quality education and educational reputation supports recruitment, retention and staff well-being. There is a significant relationship between training & development, employee performance, and job satisfaction (Okechukwu, 2017).
Improved staff wellbeing	Provides on-site access to well-being, study, collaboration, and reflection spaces, close-by yet away from clinical environment. To serve our patients and colleagues in the best way possible, we must improve the experience of our people (NHS Improvement, 2020). To realise the overdue reprovision of essential services from a building that is recognised as not safe nor fit for purpose.
Supports growth in medical students	Supports expected growth in medical students from both Anglia Ruskin (ARU) and Queen Mary university of London (QMUL).
Onsite access to information and training	Provision of learning within the context of medical schools, regional hubs, Royal Colleges and national bodies supports

	<p>Evidence-Based Practice: effective use of evidence and knowledge at the point-of-need.</p> <p>Onsite access to corporate training including statutory and mandatory training. Eliminates the need for staff to travel to offsite locations for these trainings.</p> <p>Our specialist Library service saves >400 hours of our clinicians research time per annum for evidence based practice and professional development; contributing to an overall economic benefit of £132m per annum for the NHS.</p>
Intermediate step to expansion	New facility provides a necessary intermediate step to teaching expansion which will be required when new hospital is built.
Improved external reputation	Facility will help boost organisation's profile by hosting national and regionally recognised prestigious courses. The facility will enable a greater number of courses to be delivered which also has financial benefits.
Improved access to IT equipment	Accessibility to technology, computers, and equipment for clinical-based staff and those who do not have access to terminals for mandatory training, audits, clinical support work etc.
Improved safety	The new facility will provide a safer environment than the current building offers, particularly out-of-hours. Fire risks will be mitigated and staff and user security improved significantly thus reducing the injury risk.

3.7. Income

While the new facility will provide a safe space in which medical education can operate, and enable stakeholders to develop their services, it will also provide income generating opportunities for the Trust.

Growth in medical students from both Anglia Ruskin (ARU) and Queen Mary university of London (QMUL) is expected in coming years (though growth has not been included within any of the assumptions or appraisal in this case and is considered an unaccounted benefit to the project to mitigate potential optimism bias) and some of this growth is predicated on being able to provide an adequate training facility. This growth would bring in income from both ARU and QMUL, who already give us close to £1 million to support medical student training. Significant growth in GP trainees using facilities is also expected, with an extra 25GP trainees starting this summer.

The only income included within the case relates to 2 courses which add up to £87,816 per annum:

- Royal College courses are expected to generate additional net income of £38,166:
 - Royal College of Surgeons BSS. Six additional courses per annum with 16 attendees per course (£30,126).
 - Royal College of Medicine MRCP PACES course. Three additional two-day courses per annum (£8,040).

- Resuscitation skills courses are expected to generate additional income of £49,650 per annum based on current course activity profile

3.8. Local impact:

- 4960sqft of new state of the art learning, education and development centre supporting a minimum of 1200 new learners a year
- Provide training that will address skills shortages and support skills development in the healthcare sector
- 300 trainees achieving qualifications each year.
- The identification of Princess Alexandra hospital as a leading hospital with a focus on learning, education and development
- Positively contribute to economic growth by attracting and retaining higher skilled workers to the area. A survey conducted by Randstad and Ipsos Public Affairs highlighted the importance and effectiveness of learning and career development programs. Of the employees surveyed, 28% said “Investing in employees’ careers through training, professional development or continuing education” was one of the most effective engagement tools.
- Skilled employees will maximise the economic potential and competitiveness of the local area and attract inward investment.
- Renting out space for educational seminars and/or conferences will bring business to Harlow

3.9. Economic appraisal results:

	DCLG Appraisal Sections	Option 1 relative to status quo (Do nothing)	Option 2 relative to status quo (refurb current site)	Option 3 relative to status quo (new facility)
A	Present Value Benefits [based on Green Book principles and Green Book Supplementary and Departmental Guidance (£m)]	£5.100m	£5.100m	£10.200m
B	Present Value Costs (£m)	£3.684m	£5.344m	£5.993m
C	Present Value of other quantified impacts (£m)	0	0	£3.684m
D	Net Present Public Value (£m) [A-B] or [A-B+C]	£1.416m	(£0.244m)	£4.207m
E	‘Initial’ Benefit-Cost Ratio [A/B]	1.38:1.00	0.95:1.00	1.70:1.00
F	‘Adjusted’ Benefit Cost Ration [(A+C)/B]	1.38:1.00	0.95:1.00	2.32:1.00
G	Significant Non-monetised Impacts			
H	Value for Money (VfM) Category	<i>Medium</i>	<i>Low</i>	<i>High</i>

	DCLG Appraisal Sections	Option 1 relative to status quo (Do nothing)	Option 2 relative to status quo (refurb current site)	Option 3 relative to status quo (new facility)
I	Switching Values & Rationale for VfM Category			Adjusted' BCR \geq 2
J	DCLG Financial Cost (£m)			
K	Risks			
L	Other Issues			

3.9 *Sensitivity Analysis*

The following sensitivity assessments were undertaken;

- Rent on Pardon Hall would need to increase by only 2% or less (rather than 5%) for the BCR to switch to 1.70:1.00 for the preferred option, while the do nothing option would increase to 2.55:1.00
- Remaining project costs increase of 10% would result in an adjusted BCR of 2.29:1.00. The remaining costs would need to increase by 407% for the BCR to drop below 1.38:1.00 and option 1 become the preferred option.
- Value of learner outcomes is overstated by 10% results in an adjusted BCR of 2.15:1.00. The outcomes would need to be low by 19% before taking into account rental savings and 55% less for the BCR to be below that of the do nothing case.

3.10 *Non-Capital Estimates and cashflows*

The ongoing revenue costs of the project have been included within the financial assessment of the project. The revenue costs are made up of:

- Depreciation charges of new building (assumed UEL of 28 years in line with Estate estimates of the building) of £153k pa
- Depreciation charges for the ICT and equipment (assumed UEL of 5 years in line with Trust replacement experience) of £84kpa
- Non pay costs including energy, soft and hard facilities management including cleaning, which has been estimated based on similar facilities costs and energy costs of other non-clinical areas within the Trust of £58kpa and inflationary increases of 3.5% per annum
- Public Dividend Capital charges paid to Department of Health and Social Security based upon net book value of assets of 3.5%pa and estimates at £165k in 21/22 and reducing annually.
- Revenue income has been outlined in section 3.8 above and is assumed at £88k pa annum before inflation

The Trust currently pays £60k per annum to lease Pardon Hall. This cost is expected to increase in line with other rental buildings of 5% per annum based on initial discussion on future costs. Within appendix 3 a cashflow statement of costs to date and forecast for the rest of 21/22 and remaining 28 years of the project are included in full. A discount rate has been applied in line with the Green book guidance using 3.5% baseline to bring the costs in line present value. Given the limited revenue costs and the high certainty around this, these have been considered for minor sensitivities in 3.8 above, but no significant variances are expected.

The annual revenue costs are expected to be funded out of the Trust's underlying budget. Cost increases will need to be offset either by additional income, which has had no ramp up assumption or growth assumed to minimise optimism bias, or through additional savings as part of the Trust's annual efficiency savings processes.

The project is expected to break-even in the longer term, however additional savings across the trust are expected to mitigate this and have been assumed to be the case for the model as a risk adverse position rather than assume income will be received without a guarantee within the model.

4. COMMERCIAL CASE

4.1. Procurement options:

The Trust went out to market on a restricted FTS tender initially based on a 60% quality, 40% price weighted score.

Bidders were requested to produce their proposals, with a keen interest around deliverables. From a modern method of construction, we established that a modular solution would deliver this project on time and within the financial envelope.

The procurement tender process was cancelled and the Trust direct awarded via the Crown Commercial Services framework to [REDACTED], based on them already being on site and given the supplier was already strategically aligned to the Trust objectives of delivery.

4.2. Preferred procurement and contracting strategy:

This was run as a design and build project. The contract management was undertaken by an independent project manager and quantity surveyor, including a cost consultant. The works were contracted under a JCT contract.

4.3. Procurement experience:

The awarded contractor had carried out numerous modular builds under the crown commercial services framework. The contractor had also recently completed a 2 storey modular unit on site, hence the Trust was confident in the experience and quality following this compliant route to market. Mobilisation was also for efficient, given the contractor was already on site.

4.4. Competition issues:

No competition issues, however there was some supply chain issues given covid pressures and Brexit, which has been experienced nationally across the construction industry.

4.5. Human resources issues:

No human resources issues experienced through this project. Trust staff have been utilising the current Parndon Hall site. Framework supplier has utilised local trades for local regeneration.

4.6. Risks and mitigation:

Contract risk in terms of the scheme not being delivered on time or over budget, however this has been mitigated by appointing via an approved commercial framework and contracted via a JCT agreement, which has been managed by independent QS and cost consultants.

4.7. Maximising social value:

[REDACTED] is a SME (nearly double turnover over the last 18months to 23m), PAHT have been one of their largest customers over the last year on various projects and that has meant they have been able to invest in more staff and more equipment for future works. The CCS framework has Social Value Act 2012 built into it and they are bringing it up to compliance with PPN06/20 requirements as well as working towards 06/21 CNZ. All suppliers have completed modern slavery assessment. Prompt payment in line with government guidance.

5. FINANCIAL CASE

5.1. Total project value and funding sources:

The total project costs* are of £13.440m, broken down between:

- Initial capital: £4.702m
- Replacement capital equipment £0.420m every 5 years (£2.100m)
- Revenue costs over 28 years £6.638m

*These are fully outlined per year in appendix 1 and 2.

This is made up of initial capital costs of £4.702m and the corresponding depreciation charges over the next 28 years. The remaining revenue costs relate to soft and hard facilities management costs of £58k per annum before inflation, which is offset by expected income from third parties of £88k per annum before inflation. The Trust will also be required to pay capital charges (Public Dividend capital at 3.5% of the building Net Book Value) on the site to the Department of Health and Social Care, which are initially as high as £165k per annum but this will reduce each year as the assets NBV reduces with depreciation charges.

The funding for the capital is made up of additional capital allocation by the Herts and West Essex Integrated Care fund and underlying funding by the Trust itself of £4.202m. This case requests a grant of £500k to contribute to the capital investment in full. Without this £500k support, the project is likely to have to be paused at least in the short term as the COVID-19 pandemic requiring the Trust to reassess the prioritisation of capital spend, with a number of urgent medical equipment and estate works now needed (e.g. roof repairs) to ensure the Trust can continue to operate effectively. Without the additional financial support, it is likely the shell of the building will be completed in January 2022, but the remaining internal works and equipment will not be purchased and are unlikely to get approval for 2022/23 capital funding due to other largely and bigger priority commitments for capital within the Trust.

The Trust has factored the running costs of the site into its financial planning which will be funded out of the Trust's revenue. There are no associated conditions for release of any of this funding.

5.2. SELEP funding request, including type (LGF, GPF, GBF etc.):

This business case requests £500k of GBF (Getting Building Fund) from SELEP,

5.3. Costs by type:

Cost type	Expenditure Forecast				
	20/21 £m	21/22 £m	22/23 £m	23/24 to 39/40 £m	Total £m
Capital [For example by stage, key cost elements for construction, and other cost elements such as contingency, overheads and uplifts]	2.387	2.315	0	2.100*	6.802
Non-capital [For example revenue liabilities for scheme development and operation]	0.84	0.169	0.303	6.082	6.638
QRA	0	0	0	0	0
Monitoring and Evaluation	0	0	0	0	0
Total funding requirement	2.471	2.484	0.303	8.182	13.440
Inflation (%)	0	0	3.5%	3.5%	3.5%

*NOTE: Capital costs of £2.100m reflect the replacement of ICT and other equipment every 5 years in line with their economic life. These capital costs will be covered by the Trust within its annual capital allocations.

5.4. Quantitative risk assessment (QRA):

The project's cost plan has been compiled by the Trust's consulting professionals, taking into full account the architectural drawings and designs developed in line with the project brief given to our architects. The initial planned costs included contingencies of £0.226m (6% of the total project costs). The costs also include in full the specialist advice received by our mechanical and electrical specialist consultants and have considered delays due to COVID-19 restrictions. Due to the timing of the bid, a majority of the costs are now actual and do not include any optimism bias, though some estimate still remains over the final 13% of the scheme, which equates to £50k.

Further narrative on risks and how they were managed are set out within 5.7 below.

The costs for the works have been developed through the following process:

- The initial feasibility study for the site December 2020
- The capital costs presented above are outlined in actual and uplifted to 2021/22 prices.

5.5. Funding profile (capital and non-capital):

Funding source	Expenditure costs					
	19/20 £000	20/21 £000	21/22 £000	22/23 £000	23/24 £000	24/25 £000
Capital source 1 (Internal funding)	0	2,387	1,815	0	0	0
Capital source 2 (SELEP)...	0	0	500	0	0	0
Non-capital source 1 internal funding	0	84	169	303	355	347
Non-capital source 2 Lease savings	0	0	0	(60)	(60)	(60)
Total funding requirement	0	2,471	2,484	243	295	287

5.6. Funding commitment:

The internal funding sources are secured in full. The SELEP funding is subject to this case. The lease savings should be achieved once scheme is completed, but this is subject to SELEP funding approval.

5.7. Risk and constraints:

Risks were initially identified at the start of the project:

Implementation Risk Mitigation	Implementation Risk Mitigation
Risk of delays in completion of construction	Risk of delays in completion of construction Regular project management meetings are being held. Timely communication between the Trust and [REDACTED]. [REDACTED] recommend a Request For Information (RFI)

	be required from [REDACTED] and a detailed Programme of Construction Activities be drawn up
Risks of overrun on costs	Risks of overrun on costs A 4% contingency is built into the contract with [REDACTED] (£126k). [REDACTED] recommend the Trust incorporates an additional contingency for the overall programme of £100,000
If there are delays to the implementation of the project, there is a risk the medical education team will not have a facility out of which to operate	Medical education teams would make the most of the facilities available at Parndon Hall for as long as possible.
Business continuity: Risks of new equipment (library, office and practical learning equipment) not being procured in time for completion of construction, and old equipment not being moved across in time	Teams are in the process of drawing up lists of required equipment (March 2021) and working with procurement to secure these. Stakeholder teams need to work with estates to arrange the relocation of old equipment, where necessary
Risks of substantial equipment from Parndon Hall not fitting in space	Floor plans have been drawn up between Estates and relevant stakeholders to avoid this

As the project has progressed, most of the above risks have been mitigated, though additional risk around price increases above contingencies and COVID-19 delays have added a further £568k of costs to the project, which has now put the Trust's overall capital resources under risk as Medical Equipment has broken down and facilities need urgent repair. Without the additional funding from SELEP the Trust is like to have pause the project for at least the remainder of the 2021/22 financial year.

5.8. *Key assumptions*

The following key assumptions have been made in compiling this case:

- Depreciation has been calculated using normal useful economic life assumptions (Buildings: 28 years; Equipment; 5 years).
- No additional income growth is assumed within the model, with savings across the Trust being used to mitigate the additional costs until additional income from the centre is achieved. This is to avoid significant optimism bias that revenue schemes will just be found to break even for the project. The depreciation charges for this project will be largely covered through the non-replacement of non-required equipment to avoid increasing the Trust's overall revenue expenditure costs.
- Running costs have been based on similar non-clinical sites at the Trust to obtain as accurate a cost as possible.
- Inflationary increases have been assumed to be 3.5%
- No other wider economic benefits have been assumed within the case, due to significant uncertainty around this. Though these could be additional visitors from surrounding Trusts in North London, Hertfordshire, wider Essex and Cambridge. This could increase demand for hotel rooms and additional foot fall within the Harlow Town centre.

- The first 2 years of additional learning benefits as outlined Department for business Innovation & Skills - Return to higher education qualification (June 2011) are assumed as an appropriate proxy for the benefits, avoiding significantly biasing the benefits of the scheme.

6. MANAGEMENT CASE

- 6.1. Governance:**
Project SRO set as Fay Gilder – Medical Director with a full Project Board set up with HCG leads in place
- 6.2. Approvals and escalation procedures:**
Trust procedures followed to create Business Case to seek approval to proceed via correct Boards and then Capital Working Group and Space Utilisation Group to proceed
Escalation process to decisions made via Early warning notices to SRO
- 6.3. Contract management:**
Appointment of dedicated Project Manager along with Cost Consultants via framework route to manage the process and stakeholders to ensure completion within budget and time
- 6.4. Key stakeholders:**
Trust engagement of key internal stakeholders completed as part of Capital design phase to inform supplier and through to project handover for continuity
- 6.5. Equality Impact:**
None
- 6.6. Risk management strategy:**
Project to have a combined project Risk Register to capture across a number of topic headings
- 6.7. Work programme:**
- 6.8. Previous project experience:**
Supplier approached has completed projects on site within a tight timescale, COVID and Brexit impact and to budget along with completion at local other HNS Trust of which references were taken up with to have a collaborative partnership.
- 6.9. Monitoring and evaluation:**

6.91 Logic Map

Objectives	Inputs	Outputs	Outcomes	Impacts
	Grant Spend £0.500m Matched Contributions Spend £3.746m Leveraged Funding £0.000m	<i>Creation of Area of new or improved learning/training floorspace of 972m²</i>		Not applicable

7. DECLARATIONS

<p><i>Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?</i></p>	<p>No</p>
<p><i>Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors</i></p>	<p>No</p>
<p><i>Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?</i></p>	<p>No</p>

**If the answer is “yes” to any of these questions please give details on a separate sheet of paper of the person(s) and business(es) and details of the circumstances. This does not necessarily affect your chances of being awarded SELEP funding.*

I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer, and other public sector bodies who may be involved in considering the business case.

I understand that a copy of the main Business Case document will be made available on the South East Local Enterprise Partnership website one month in advance of the funding decision by SELEP Accountability Board. The Business Case supporting appendices will not be uploaded onto the website. Redactions to the main Business Case document will only be acceptable where they fall within a category for exemption, as stated in Appendix G.

Where scheme promoters consider information to fall within the categories for exemption (stated in Appendix G) they should provide a separate version of the main Business Case document to SELEP 6 weeks in advance of the SELEP Accountability Board meeting at which the funding decision is being taken, which highlights the proposed Business Case redactions.

I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete. Any expenditure defrayed in advance of project approval is at risk of not being reimbursed and all spend of Getting Building Fund must be compliant with the Grant Conditions.

I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

<p><i>Signature of applicant</i></p>	
<p><i>Print full name</i></p>	<p><i>Mandi Osoba</i></p>
<p><i>Designation</i></p>	<p><i>AD of Learning & Organisational Development</i></p>

8. APPENDIX C – RISK MANAGEMENT STRATEGY

Description of Risk	Impact of Risk	Risk Owner	Risk Manager	Likelihood of occurrence (Very Low/ Low/Med/ High/ Very High) (1/2/3/4/5) *	Impact (Very Low/ Low/ Med/ High/ Very High) (1/2/3/4/5) **	Risk Rating	Risk Mitigation	Residual Likelihood/Impact Scores
Risk of delays in completion of construction	Delay to programme of works	Capital Working Group	Estates project manager	4	4	16	Regular project management meetings are being held. Timely communication between the Trust, its design team members and supplier ██████████ recommend a Request For Information (RFI) be required from ██████████ and a detailed Programme of Construction Activities be drawn up	2 x 3 = 6
Risk of overrun costs	The project will not be delivered as originally designed	Capital Working Group	Estates project manager and Capital Accountant	2	4	8	A 4% contingency is built into the contract with supplier	1 x 2 = 2

							Cost consultant recommended the Trust incorporates an additional contingency for the overall programme of £100,000.	
If there are delays to the implementation of the project, there is a risk the medical education team will not have a facility out of which to operate	The project will not be delivered on time and the space will be unavailable for learners to use	Capital Working Group	Estates project manager	2	4	8	Medical education teams would make the most of the facilities available at Parndon Hall for as long as possible before planned mothballing.	1 x 2 = 2
If there are delays to the implementation of the project, there is a risk the Corporate training team will not have a facility out of which to operate	The project will not be delivered on time and the space will be unavailable for learners to use	Capital Working Group	Estates project manager	3	2	6	Will try to negotiate an extension of Harlow college lease	2 x 2 = 4
Business continuity: Risks of new equipment (library, office and practical learning equipment) not being procured in	The project will not be delivered on time and the space will be unavailable for learners	Capital Working Group	Estates project manager	2	4	8	Teams are in the process of drawing up lists of required equipment and working with procurement to secure these.	2 x 2 = 4

time for completion of construction, and old equipment not being moved across in time	to use						Stakeholder teams need to work with estates to arrange the relocation of old equipment, where necessary.	
Risks of substantial equipment from Parndon Hall and Corporate training not fitting in space	The project would not be able to proceed	Capital Working Group	Responsible Officer	3	4	12	Floor plans have been drawn up between Estates and relevant stakeholders to avoid this.	$1 \times 3 = 3$
Failure to secure GBF funding	Delay to programme of works	Capital Working Group		4	5	20	Without GBF funding the scheme will be delayed until at least April 2022	$2 \times 2 = 4$

* Likelihood of occurrence scale: Very Low (1) more than 1 chance in 1000; Low (2) more than 1 chance in 100; Medium (3) more than 1 chance in 50; High (4) more than 1 chance in 25; Very High (5) more than 1 chance in 10.

** Impact scale: Very Low (1) likely that impact could be resolved within 2 days; Low (2) potential for a few days' delay; Medium (3) potential for significant delay; High (4) potential for many weeks' delay; Very High (5) potential for many months' delay

Please note, not all sections of the table may require completion.

9. APPENDIX D – GANTT CHART

Tasks	Start date	Finish date	2020		2021												2022		
			Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Planning and BC writing	Nov – 20	Feb 21																	
Internal approval of BC	Feb 21	Feb 21																	
Works undertaken	Feb 21	Feb 22																	
Approval of SELEP funding	Feb 22	Feb 22																	
Site opens	March 22	March 22																	



10. APPENDIX G - CATEGORIES OF EXEMPT INFORMATION

There is a clear public interest in publishing information and being open and transparent. But sometimes there is information which we can't publish because it would cause significant harm to the Council - for example by damaging a commercial deal or harming our position in a court case. Equally sometimes publishing information can harm someone who receives a service from us or one of our partners.

The law recognises this and allows us to place information in a confidential appendix if:

*(a) it falls within any of paragraphs 1 to 7 below; and
(b) in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

- 1. Information relating to any individual.*
- 2. Information which is likely to reveal the identity of an individual.*
- 3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)*
- 4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.*
- 5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.*
- 6. Information which reveals that the authority proposes— (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) to make an order or direction under any enactment.*
- 7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.*