

## **TOWNLANDS AND BICESTER COMMUNITY HOSPITALS PROJECTS**

### **PROGRESS UPDATE FOR HOSC – FEBRUARY 2013**

#### **1. Background**

The procurement of new community hospitals to be located on the current hospital sites in Bicester and Townlands in Henley has been ongoing for the past eighteen months and is reaching the final stages. The facilities will replace outdated accommodation on both sites and provide new purpose built accommodation providing:

##### **Bicester**

12 inpatient beds – subacute level 2

Outpatient accommodation

Minor injuries unit

Imaging

Ambulance base

Physiotherapy

##### **Townlands**

18 inpatient beds – subacute level 2

12 inpatient beds palliative Care

Minor Injuries unit

Outpatient accommodation

Physiotherapy

Imaging, Dental, SALT

The schemes have received all the necessary approvals in order to allow the PCT to proceed to a financial close. Bicester had Full Business Case approval from the SHA in November 2012 and full planning was granted in September 2012. Townlands received SHA approval for the full business case in August 2012 and full planning permission was granted in November 2012.

All target dates in the timetable have been achieved and the current delay has been the result of the changing structure to NHS organisations as explained below

#### **2. Context**

The current NHS reforms mean that on 1 April premises belonging to Primary Care Trusts (PCT), which are statutory bodies, will transfer to NHS Property Services Ltd (NHS PSL), a commercial ltd company wholly owned by the Department of Health. This is a national policy issue that applies to all PCT premises contracts therefore applies to a number of transactions in the market.

This transfer currently affects the views of the projects funder as to the level of the risk associated with the new organisation, NHS PSL.

Both projects have achieved all the required approvals including planning permission and full business case sign off. Once the contracts have been signed, it is anticipated that the clinical

work streams will commence work to develop the commissioning strategy for each facility, to support intentions for the localities.

Work with the providers (sub-tenants) in the buildings is on-going to agree leases, decant programmes and operational policies. This includes Oxford Health Foundation Trust (OHFT), Royal Berkshire Foundation Trust (RBFT), Oxford Universities Hospital Trust (OUH), South Central Ambulance Service (SCAS) and Sue Ryder.

Both projects are now entering a delay period given the programmes indicated construction to commence in January 2013. This is due to the funding issue.

### **3. Funder General Delay Issue both projects**

Aviva is the senior debt funder on both projects. Aviva has been seeking some comfort from the Department of Health regarding the covenant strength of Property Services Ltd, the organisation to which the properties will be transferred post 1<sup>st</sup> April 2013.

The discussions between Aviva and Department of Health have been ongoing for some months without significant progress being made and this issue has produced a delay to the original procurement programme and the ability of the PCT to reach financial close.

The PCT were notified on the 1<sup>st</sup> February that these discussions are now making good progress and Aviva are now comfortable with a proposal from Department of Health to provide a letter of comfort. Hence they have issued a letter to the bidders confirming that their original term sheet (funding agreement and interest rates) will still stand until 31<sup>st</sup> March 2013. In effect this means the cost of the projects does not increase if they reach financial close prior to 31<sup>st</sup> March. They have not issued any detail regarding term sheet post 1<sup>st</sup> April and this point remains to be resolved by the bidders. This represents a significant step forward and the PCT is now working to achieve financial close as soon as possible.

### **4. Latest position on each scheme**

#### **4a Bicester Community Hospital Project**

The preferred bidder, Kajima, has proposed a Financial close date of 28<sup>th</sup> February. The PCT team are confident that this can be achieved because most issues have been resolved and information required to reach financial close has been received. Kajima have been proactive and continued to work during the slight delay. A programme is being agreed to ensure that both teams provide the necessary resource to achieve Financial close.

One main focus is to agree Heads of Terms with subtenants (OHFT and SCAS) before the close date and these discussions are ongoing.

#### **4b Townlands Community Hospital project**

The Townlands scheme is more complex with a three part development and therefore will require longer to close. The preferred bidders for this scheme are Amber care solutions. The PCT adviser team and Amber estimate that it will take 8 weeks to reach financial close on this project. This would mean a close early to mid April 2013. The PCT team are currently assessing what, if any impact this will have on the project costs and sign off by Property Services Ltd. A programme to Financial close is being produced so that a date can be agreed between all parties.

Discussions regarding the Care Home element of the scheme with Oxfordshire County Council have also been responsible for some delays on this project but this is now progressing and a meeting has been arranged for 15<sup>th</sup> February to close out all remaining legal issues.

One main focus is to agree Heads of Terms with subtenants (OHFT, Sue Ryder RBHT and OHT) before the close date and these discussions are ongoing and should not pose a major risk to completion.

## **5. Conclusions**

Excellent progress has been made on these important scheme and all the necessary approvals are in place. The funding issue has caused a major delay but the resolution of this should now enable the schemes to proceed to financial close. As part of the overall operational handover arrangements the PCT will work with the new NHS architecture to complete these schemes. There remain a funding risk is the scheme do not close by 31<sup>st</sup> March but given the progress made recently with the funder and the Department of Health the Trust is confident this does not represent a high risk to the projects.

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Chief Executive  
7 February 2013