



**REPORT TO MERTON CLINICAL COMMISSIONING GROUP
GOVERNING BODY**

Date of Meeting: 29th January 2015

Agenda No: 6.2

Attachment: 6

Title of Document:	Purpose of Report:
Mitcham Health Centre Economic Case	Approval
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Executive Summary:	
<p>The Economic Case has been prepared following the approval of the Strategic Outline Case for the development of a new healthcare facility for East Merton to further appraise the short listed options, identify the preferred development option and establish the economic case for the development.</p> <p>There are four sites which are potentially suitable for the development of the Mitcham scheme: two development sites owned by the London Borough of Merton (LBM) in Mitcham town centre and two sites from which services are currently being delivered, Birches Close and the Wilson Hospital. A Do Minimum option has been retained as a comparator which partly involves the refurbishment of existing facilities. This option allows for no service development.</p> <p>Following a qualitative assessment and a financial appraisal of each site, the Wilson Hospital site is the most economically advantageous to develop and is therefore the Preferred Option, having a cost per benefit point which is 20% less than the next best option, Birches Close. Sensitivity analysis indicates that there are no circumstances in which this outcome could realistically be expected to change.</p> <p>The Mitcham Project Board recommends to the Governing Body that the Wilson Hospital site should be put forward as the Preferred Option.</p>	
Key sections for particular note (paragraph/page), areas of concern etc:	
The sites are described in Section 3.3 and the appraisal of the sites is provided in Sections 4 to 6.	
Recommendation(s):	
The Mitcham Project Board recommends to the Governing Body that the Wilson Hospital site should be put forward as the Preferred Option.	

<p>Committees which have previously discussed/agreed the report:</p> <p>Mitcham Project Board, Merton CCG Finance Committee</p>
<p>Financial Implications:</p> <p>The next stage of the project is for Community Health Partnerships to conduct an analysis of the procurement options, after which there will be a clear idea of the financial implications of the development of the scheme.</p>
<p>Implications for CCG Governing Body:</p> <p>The development of the scheme is a part of the Better Healthcare Closer to Home programme and will deliver significantly improved healthcare facilities and delivery in East Merton.</p>
<p>How has the Patient voice been considered in development of this paper:</p> <p>A key part of the qualitative assessment of the four sites was a public engagement event held at the Mitcham Hub in October 2014. The outcome of the public assessment of the sites was combined with assessment against the same criteria by the Mitcham Project Board to give the overall qualitative assessment of the sites.</p>
<p>Other Implications: (including patient and public involvement/Legal/Governance/Risk/Diversity/ Staffing)</p> <p>A patient engagement strategy and plan has been prepared to cover the development of the East Merton model of care and the next stages of the development of the Mitcham Health Centre scheme. A draft Equalities Impact Assessment has been prepared and will be developed further during later stages of the project.</p>
<p>Equality Assessment:</p> <p>A draft Equalities Impact Assessment has been prepared and will be developed further during later stages of the project.</p>
<p>Information Privacy Issues:</p> <p>Information privacy and information governance has been considered for the Nelson Health Centre. A similar approach will be taken in future for the Mitcham Health Centre.</p>
<p>Communication Plan: (including any implications under the Freedom of Information Act or NHS Constitution)</p> <p>A patient engagement strategy and plan has been prepared to cover the development of the East Merton model of care and the next stages of the development of the Mitcham Health Centre scheme. The first actions within this plan are being addressed as the development of the East Merton model of care commences.</p>

Mitcham Health Centre Economic Case

Foster Keith

16 January 2015

Version 1.1



right care
right place
right time
right outcome

Document Control

Version Control

Version	Date	Issued to:	Author(s)
0.1	24/10/2014	Sue Howson	Keith Foster
0.2	31/10/2014	Adam Doyle, Cynthia Cardozo	Keith Foster
0.3	11/11/2014	Mitcham Project Board	Keith Foster
1.0	28/11/2014	Merton CCG Finance Committee	Keith Foster
1.1	16/01/2015	Merton CCG Governing Body	Keith Foster

Change Control

Version	Changes:	Author(s)
0.2	To take into account comments received from the review by Sue Howson	Keith Foster
0.3	To take into account comments received from the review by Adam Doyle and Cynthia Cardozo	Keith Foster
1.0	To take into account comments received from the Mitcham Project Board and add an Executive Summary	Keith Foster
1.1	To make a minor change noting the need to improve transport links	Keith Foster

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1 Executive Summary

Introduction

- 1.1.1 This Economic Case has been prepared following the approval of the Strategic Outline Case for the development of a new healthcare facility for East Merton to further appraise the short listed options and to identify the preferred development option. The Treasury Green Book guidance has been used to undertake the economic appraisal and the Department of Health Generic Economic Model (GEM) template has been used for the financial elements of this appraisal.
- 1.1.2 The purpose of this document is to establish the Economic Case for the Mitcham scheme and to identify the Preferred Option. The Preferred Option is the recommended Value for Money (VFM) choice, following the detailed appraisal of the short list of possible approaches to the development of the scheme. Once the Preferred Option has been confirmed, Community Health Partnerships (CHP) will complete a further financial assessment to decide the Procurement Strategy.

Service Strategy

- 1.1.3 A draft service strategy for the facility has been developed using the outputs from the Health Needs Assessment (HNA) for East Merton conducted in January 2014 and takes into account the existing service provision that is currently being delivered from premises that are no longer fit for purpose.
- 1.1.4 The draft service strategy requires the delivery of the following services within East Merton:
- Community services, for both adults and children;
 - Therapy services;
 - Specialist consultation services;
 - Diagnostic services;
 - Mental Health services for both adults and children;
 - Primary Care services;
 - Public Health, social care and voluntary sector drop in services.
- 1.1.5 The draft service strategy, along with estimates of future activity, has been used to develop a schedule of accommodation for the new building. This has then been used to test the potential fit of a building on each possible development site and calculate the cost of developing on that site.

Site Options

- 1.1.6 There are four sites which are potentially suitable for the development of the Mitcham scheme: two development sites owned by the London Borough of Merton (LBM) in Mitcham town centre and two sites from which services are currently being delivered, Birches Close and the Wilson Hospital. A summary description of each site is presented in Figure 1.1 below.

Figure 1.1. Site Options

Consideration	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital
Accommodates full SoA	Yes	No, some services on second site	No, some services on second site	Yes
Car parking availability	Yes	None except disabled spaces on site	Very limited in addition to disabled spaces on site	Yes
Locally listed buildings	Birches House to be refurbished	Front of Wilson Hospital if this is the second site	Front of Wilson Hospital if this is the second site	Front entrance
Decant required	Yes, to Wilson Hospital. Will need some refurbishment	No	No	Yes, to Birches Close or temporary accommodation on Wilson Hospital car park
Acquisition	From NHS PS, non-value transaction	From Local Authority	From Local Authority	From NHS PS, non-value transaction
Sites to be disposed of	Wilson Hospital	Birches Close, strip facing Caesar's Walk on Wilson Hospital site	Birches Close, strip facing Caesar's Walk on Wilson Hospital site	Birches Close, strip facing Caesar's Walk on Wilson Hospital site
Issues	Access road to be approved, funded and built	Two phase refurbishment of Wilson Hospital, possible void costs	Two phase refurbishment of Wilson Hospital, possible void costs	Manor house foundations under the car park to remain undisturbed, strip of green belt on site, improvement of transport links

1.1.7 A Do Minimum option has been retained as a comparator which partly involves the refurbishment of existing facilities. This option allows for no service development.

Qualitative Assessment

1.1.8 A qualitative assessment was conducted taking input from the public, through a formal public engagement event, and the Mitcham Project Board. Both groups used the same set of criteria to assess the options. Two criteria were considered to be key determinants in this evaluation: support for the model of care and accessibility of the site.

1.1.9 The results of the assessment by each group and the combination of the scores, given a 60%:40% weighting in favour of the Project Board, are summarised in Figure 1.2 below. These show that, from a qualitative perspective, the Wilson Hospital is the preferred option.

Figure 1.2. Qualitative Assessment of Each Option

	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital
Mitcham Project Board assessment	73.7%	45.9%	71.3%	86.7%
Public assessment	54.8%	31.7%	46.5%	84.7%
Combined weighted score	66.2%	40.3%	61.3%	85.9%

Financial Appraisal

1.1.10 The financial analysis of the four options has been conducted using the Department of Health's GEM with input provided by LBM, which provided valuations for the two sites they own taken from an external asset review, Valuation Office Agency, which provided valuations for the two NHS sites and AECOM which provided indicative costs on OBC forms for inclusion in the GEM.

1.1.11 The individual options have been defined in such a way as to make the comparison between them fair and equitable. The costs included in the analysis are summarised in Figure 1.3 and the results, which present the capital costs, Net Present Costs (NPC) and Equivalent Annual Costs (EAC) for each option are presented in Figures 1.4 and 1.5.

1.1.12 The financial appraisal indicates that the Sibthorpe Road option is the most expensive to develop.

Figure 1.3. Costs Included in the Financial Analysis

Costs	Components
Capital costs	Build or refurbishment costs for each department On costs (% of departmental costs) Location adjustment for London Professional fees Equipment costs Non-works costs (all other capital costs incurred during the development) Land purchase Planning contingency Optimism bias
Lifecycle costs	Estimated future costs of renewing and replacing life expired building and engineering services over the life of the building
Revenue costs	Hard Facilities Management costs Soft Facilities Management costs Utilities Rates Void costs

Figure 1.4. Financial Appraisal

Summary £'000s	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital	Do Minimum
Build Costs, including location adjustment	14,464	13,014	14,292	14,788	8,699
Other capital costs	9,607	6,762	9,116	9,848	3,767
Land purchase		1,000	500		
Planning Contingency	2,407	1,978	2,341	2,464	1,247
Total for Approval Purposes	26,478	22,754	26,249	27,100	13,713
Optimism Bias	5,269	7,288	8,626	4,959	3,428
Total	31,747	30,042	34,875	32,059	17,141

Figure 1.5. NPC and EAC for each development option

	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital	Do Minimum
NPC	£53.7m	£53.9m	£59.2m	£55.4m	£35.1m
EAC	£2.0m	£2.0m	£2.2m	£2.1m	£1.3m

Cost Benefit Analysis

1.1.14 Comparing the options to identify the Preferred Option is not straightforward because, whereas costs can be calculated in the same way and using the same basis for all options and revenues from financial benefits such as property disposals can offset the costs, the qualitative benefits analysis does not result in a financial measure that can be compared with the financial analysis. If an option has higher costs, but also higher benefits, a decision needs to be taken as to whether the benefits justify the higher costs.

1.1.15 To overcome this difficulty and turn the qualitative assessment into a numerical score, the combined weighted score from the qualitative assessment is taken to represent the number of benefit points awarded to each option. A comparative measure of cost benefit can then be calculated as the cost per benefit point awarded. The Preferred Option is then determined by identifying which of the options considered has the lowest cost per benefit point.

Conclusion and Recommendation

1.1.16 Following this approach the Wilson Hospital site is the most economically advantageous to develop and is therefore the Preferred Option, having a cost per benefit point which is 20% less than the next best option, Birches Close. Sensitivity analysis indicates that there are no circumstances in which this outcome could realistically be expected to change.

1.1.17 The Mitcham Project Board recommends to the Finance Committee that the Wilson Hospital site should be put forward as the Preferred Option.

2 Introduction

- 2.1.1 This Economic Case has been prepared following the approval of the Strategic Outline Case for the development of a new healthcare facility for East Merton to further appraise the short listed options and to identify the preferred development option. The Treasury Green Book guidance has been used to undertake the economic appraisal and the Department of Health Generic Economic Model (GEM) template has been used for the financial elements of this appraisal.
- 2.1.2 This document has been prepared by Merton Clinical Commissioning Group (MCCG) with participation from London Borough of Merton (LBM) and NHS Property Services (NHS PS).
- 2.1.3 The purpose of this document is to establish the Economic Case for the Mitcham scheme and to identify the Preferred Option. The Preferred Option is the recommended Value for Money (VFM) choice, following the detailed appraisal of the short list of possible approaches to the development of the scheme. Once the Preferred Option has been confirmed, Community Health Partnerships (CHP) will complete a further financial assessment to decide the Procurement Strategy.
- 2.1.4 It should be noted that at the time of the development of the original Better Healthcare Closer to Home programme by Sutton and Merton Primary Care Trust, the Mitcham scheme was included as part of a designated Local Improvement Finance Trust (LIFT) area. Therefore, if the Preferred Option is a new build scheme, LIFT must be given the first option to take on the development of the scheme.
- 2.1.5 The document is presented in five chapters.
- 2.1.6 **Chapter One - Introduction** – this Chapter provides the context for the Economic Case.
- 2.1.7 **Chapter Two – Mitcham Scheme Development Options** – this section describes the development options for the new Mitcham healthcare facility.
- 2.1.8 **Chapter Three – Economic Appraisal** – this section describes the qualitative assessment of the development options.
- 2.1.9 **Chapter Four – Financial Analysis** – this section describes the financial assessment of the development options.
- 2.1.10 **Chapter Five – Cost Benefit Analysis** – this section sets out the cost benefit analysis of the development options.

3 Mitcham Scheme Development Options

3.1 Service Strategy

- 3.1.1 The service strategy for the facility has been developed using the outputs from the Health Needs Assessment (HNA) for East Merton conducted in January 2014 and takes into account the existing service provision that is currently being delivered from premises that are no longer fit for purpose.
- 3.1.2 The aim of the service strategy is to consolidate services onto one site in order to facilitate service integration which in turn will improve clinical outcomes, provide ease of access and improve the patient experience. Of key consideration has been the co-location of physical and mental health in the same facility to address the inequalities in life expectancy of those suffering from mental illness.
- 3.1.3 The service strategy requires the delivery of the following services within East Merton:
- Community services, for both adults and children;
 - Therapy services;
 - Specialist consultation services;
 - Diagnostic services;
 - Mental Health services for both adults and children;
 - Primary Care services;
 - Public Health, social care and voluntary sector drop in services.

3.2 Functional Content

- 3.2.1 The functional content of the building has been estimated using the service strategy described above which has been developed in response to the emerging model of care for East Merton. The activity has been modeled forward to 2026/27 and used to establish the capacity needs for the facility. This has in turn been translated into a Schedule of Accommodation (SoA) to identify the space requirements of each service. The functional content is set out in Figure 3.1.

Figure 3.1. Functional content of the Mitcham Project

Service/Area		Room Type				
		Consulting	Treatment	Group	Interview	Other
Community	Adult services	4	1		1	
	Children's services	2	1	1		
Therapy services		4	1			Gym
Mental Health	Adult services	12		2		
	Children's services	7		1		
	Clinical Support					75 desks 2 meeting rooms
Outpatients consultation		6	1			2 Audiology
Diagnostics		3			1	MRI * Plaster Ultrasound X-ray
Primary care	Services	1	1			
	Practice *	5	1			
Public Health		3		2		
TOTAL		47	6	6	2	

Notes: * indicates service inclusion to be confirmed.

3.2.2 The SoA is presented in Figure 3.3 and has been built up from the activity estimates and includes allowances for additional space as shown in Figure 3.2. As shown in Figure 3.2, an additional 5% contingency has also been added to the space requirements at this stage to cover for changes in requirements.

Figure 3.2. Allowances included in Schedule of Accommodation

Allowance	Percentage Allowed
Circulation	30%
Communication	10%
Plant	8%
Contingency	5%

3.2.3 Following the outcome of the HNA and consultation in East Merton the need to locate mental health services in East Merton was identified. In consultation with SW London St George's Mental Health Trust Merton CCG have agreed that the best place to locate the Mental Health hub for Merton would be in the new Mitcham facility.

3.2.4 There are three points to take into account when considering the SoA:

- There is a significant element of children's services planned for the building. As a result, it is proposed that a specific Centre for Children's Services is included as part of the design;
- An MRI scanner has been included as part of the Diagnostics suite. The inclusion of this service is still under review as a result of the views of clinicians expressed at the Mitcham Project Board;
- The GP practice in the SoA has been included at the request of NHS England Primary Care team since there may be a need to relocate a practice to the new Mitcham facility. The need for this relocation will be confirmed or otherwise by mid-December 2014. If NHS England does not require the space, the inclusion of other primary care facilities will be considered but inclusion of a GP practice will be ruled out since the trend is towards larger practices.

Figure 3.3. Summary of Schedule of Accommodation

Accommodation		Total Area Including Allowances/Contingency (m ²)
Entrance and Public Space		337
Outpatients consultation		536
Diagnostics	X-ray and Ultrasound	294
	Phlebotomy	124
	MRI (TBC)	219
Community Services	Physiotherapy	508
	General	519
Mental Health Services	Adults	896
	Children	367
	Clinical support	1,032
Primary Care	Services	178
	Practice (TBC)	659
Public Health/Social Care/Voluntary Sector		164
Admin & Staff		600
Facilities Management		217
TOTAL		6, 650

3.3 Site Options

- 3.3.1 There are four sites, two owned and managed by NHS PS and two development sites owned by LBM, which are potentially suitable for the development of the Mitcham scheme.
- 3.3.2 The two development sites owned by the Local Authority are both in Mitcham town centre.
- 3.3.3 The two sites owned by NHS PS are Birches Close and the Wilson Hospital both of which are located in Mitcham within 500m of each other. Both sites have locally listed buildings and are within the Cricket Green Conservation area.
- 3.3.4 In addition to considering a new build option on each of the four available sites, two other options have been considered:
- Do nothing – this option represents continuing to deliver the existing services from their current sites in East Mitcham, adding no additional services, such as diagnostics, and making no improvements to the current buildings other than any work required to keep them operational. This option was excluded at the shortlisting stage since it would not deliver the model of care or provide accommodation that is suitable for the delivery of healthcare services in the medium term;
 - Do minimum – this option represents continuing to deliver the existing services from their current sites in East Mitcham, adding no additional services, such as diagnostics, but refurbishing the current buildings to raise them to an acceptable standard for the delivery of healthcare services today. This option has been retained as a comparator.
- 3.3.5 Each of the sites is described below and a summary is presented in Figure 3.8 at the end of the section.

Birches Close – 0.9 Hectares

- 3.3.6 The Birches Close site is of a significant size and would accommodate the full SoA including the Mental Health hub into a building on three floors. There would be sufficient space on the site for patient parking and essential user staff parking. A delivery yard could also be accommodated on the site.
- 3.3.7 There are three issues that would need to be addressed were this option to be selected:
- The services currently being delivered out of Birches Close would need to be decanted into the Wilson Hospital during the construction phase. This would incur some move costs and also some minimal refurbishment costs for the accommodation in the Wilson Hospital currently occupied by Community services that will be moving back into the Nelson Health Centre in April 2015;
 - As part of the development Birches House, which has an internal area of 372m², will be refurbished. Once that is complete the building could be used to house some of the services included within the SoA, if supported by the model of care, or office accommodation;

- In order to improve access to the site a new access road will be required from Madeira Road. The Local Authority is applying for Lottery funding to construct the first part of this road. Assuming this funding is achieved, the project would need to gain approval for and then fund the extension of this road to the site, a distance of 100m.

Decant Requirements

3.3.8 There are currently community and mental health services delivered from the Polyclinic and Birches House on the Birches Close site. These will need to be moved elsewhere for the period of the development in the event of Birches Close being the Preferred Option.

3.3.9 The community health services on the Birches Close site are delivered out of the Polyclinic. There are a total of 76 sessions a week delivered across the following services:

- Adult dietetics;
- Diabetes specialist nurse;
- Diabetic eye screening;
- Health visitors;
- Heart failure nurse;
- Music therapy;
- Physiotherapy;
- Respiratory specialist nurse;
- School nurse;
- Smoking cessation;
- Speech and language therapy.

3.3.10 Child and adolescent mental health services are delivered out of Birches House and currently occupy seven consulting rooms, a group room and a music therapy room.

3.3.11 The obvious site to use as temporary accommodation for the current services is the Wilson Hospital. The community services located in the building will be moving back to the new Nelson Health Centre in April 2015 freeing up space that is currently used for Physiotherapy, OPARS and Dysphagia. These areas will be sufficient to accommodate both the community and mental health services.

3.3.12 The costs associated with the decant from Birches Close would be limited to removal costs and some limited refurbishment of the Wilson Hospital.

3.3.13 In addition, it should be noted that NHS PS has recently let Freshfields and the three houses on the site until the end of 2015. However, this would not affect the development on the site since the agreement will end before work needs to start on site.

Site Disposals and Acquisitions

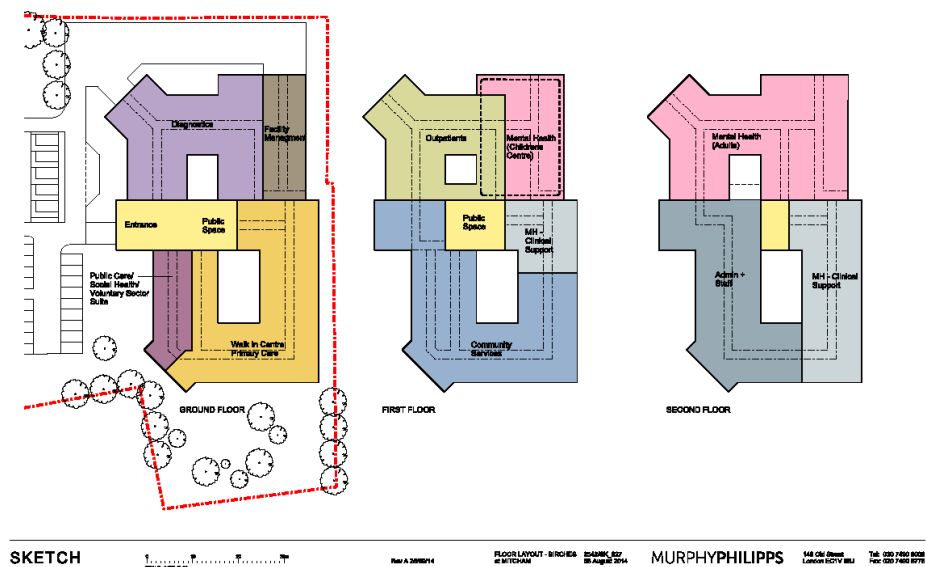
3.3.14 If Birches Close is the Preferred Option, it will be possible for NHS PS to dispose of the Wilson Hospital site.

3.3.15 It is assumed that the acquisition of the site will be a non-value transaction between Community Health Partnerships (CHP) and NHS PS.

Outline Design

3.3.16 A possible outline design to illustrate the above points is presented in Figure 3.4.

Figure 3.4. Birches Close Outline Design



Raleigh Gardens – 0.11 Hectares

3.3.17 The Raleigh Gardens site is the smallest of the four under consideration. Initial Planning guidance is that any building on the site would be restricted to four floors. As a result, only a limited set of the required services could be accommodated within the building and the remaining services would need to be located on another site, the Wilson Hospital being the obvious one, with a significant impact on the model of care. The logical split of services from the SoA would be:

- Primary care services, Public Health suite, diagnostics (excluding MRI), outpatients, community services, administration and staff facilities and Facilities Management located in a building on the Raleigh Gardens site. This building would have a floor space of approximately 3,700m²;
- The GP practice and all Mental Health services located at the Wilson Hospital, occupying approximately 3,000m² of the available space.

3.3.18 The site would only accommodate a small number of disabled parking spaces. As a result, all patient and staff parking would need to be off-site elsewhere in the town centre; there is a multi-storey car park within 200m.

3.3.19 Allowing sufficient space for deliveries to the site would also be highly problematic.

3.3.20 The other issues that would need to be addressed were this option to be selected are:

- The refurbishment of the Wilson Hospital will need to take place in two phases since the mental health services currently running there will remain on site throughout the development;
- There may be additional void costs to be picked up by the CCG for approximately 500m² of the Wilson Hospital site that will not be used. However, the community services administration staff that are currently based at the Wilson Hospital could remain there.

Decant Requirements

3.3.21 There would be no decant requirements were Raleigh Gardens to be the Preferred Option.

Site Disposals and Acquisitions

3.3.22 If Raleigh Gardens is the Preferred Option, it will be possible for NHS PS to dispose of the Birches Close site. In addition, the strip of land facing Caesar's Walk on the Wilson Hospital site can still be sold, even if the remainder of the site is used for mental health and the GP practice.

Outline Design

3.3.23 A possible outline design to illustrate the above points is presented in Figure 3.5.

Figure 3.5. Raleigh Gardens Outline Design



Sibthorpe Road – 0.26 Hectares

3.3.24 Initial Planning guidance is that any building on the Sibthorpe Road site would be restricted to five floors. As a result, not all of the required services could be accommodated within the building and the remaining services would need to be located on another site, the Wilson Hospital being the obvious one, with a significant impact on the model of care. The logical split of services from the SoA, which would mean a building on only four floors would be required on this site, would be:

- Primary care services, Public Health suite, diagnostics, outpatients, GP practice, community services, administration and staff facilities and Facilities Management located in a building on the Sibthorpe Road site. This building would have a floor space of approximately 4,350 m²;
- All Mental Health services located at the Wilson Hospital, occupying approximately 2,300 m² of the available space.

3.3.25 The site would also allow for very limited parking on the site beyond disabled parking spaces and therefore the majority of patient parking and all staff parking would need to be off-site elsewhere in the town centre; there is a multi-storey car park within 100m.

3.3.26 The other issues that would need to be addressed were this option to be selected are:

- The refurbishment of the Wilson Hospital will need to take place in two phases since the mental health services currently running there will remain on site throughout the development;
- There may be additional void costs to be picked up by the CCG for approximately 1,200m² of the Wilson Hospital site that will not be used. However, the community services administration staff that are currently based at the Wilson Hospital could remain there.

Decant Requirements

3.3.27 There would be no decant requirements were Sibthorpe Road to be the Preferred Option.

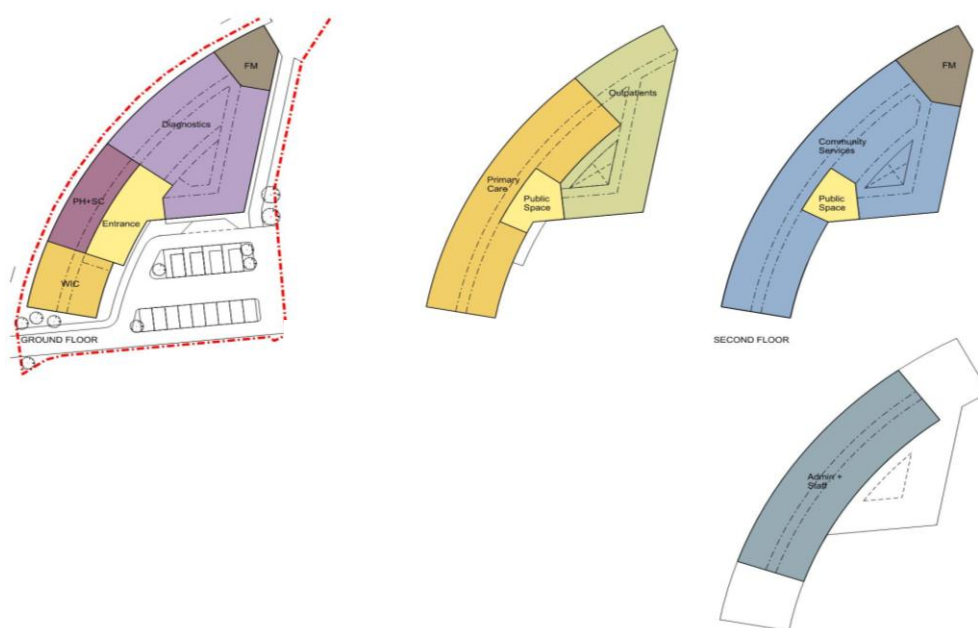
Site Disposals and Acquisitions

3.3.28 If Sibthorpe Road is the Preferred Option, it will be possible for NHS PS to dispose of the Birches Close site. In addition, the strip of land facing Caesar's Walk on the Wilson Hospital site can still be sold, even if the remainder of the site is used for mental health.

Outline Design

3.3.29 A possible outline design to illustrate the above points is presented in Figure 3.6.

Figure 3.6. Sibthorpe Road Outline Design



Wilson Hospital – 1.8 Hectares

3.3.30 The Wilson Hospital site is the largest of the available sites and so, even with the various restrictions placed on the site, there is no difficulty in fitting the full SoA into a building on three floors.

3.3.31 The constraints placed on the use of the site are:

- The front of the building is locally listed and will need to be retained and incorporated into the design of the new building;
- The foundations of a medieval manor house are underneath the existing car park on the site and cannot be disturbed;
- There is a strip of green belt land on the Caesar's Walk side of the site which must be retained.

3.3.32 The key issue that would need to be addressed were this option to be selected is to work with Transport for London to try and improve transport links to the site. In the past, a discussion was held to look at building a new tram stop to serve the site. This should be reconsidered, as should the possibility of re-routing at least one of the bus services which currently run down London Road to call additionally at the site.

Decant Requirements

3.3.33 Although the community services currently located in the Wilson Hospital will move back to the new Nelson Health Centre in March 2015 there will still be a range of adult mental health services located on the site, along with office accommodation for both mental health services and community services.

3.3.34 There are two options that should be considered to meet the decant requirements for this option:

- Use the empty accommodation on the Birches Close site, suitably refurbished. This option should be considered first since it is likely to be the cheaper option;
- Provide temporary accommodation for the existing clinical services, currently occupying around 600m², and office accommodation, currently occupying around 800m². Taking into account office accommodation guidance, it is likely that approximately 1,000m² of temporary space would be required. The existing car park would remain untouched and so the temporary accommodation could be located there. Consideration would need to be given to the replacement, if possible, of the car parking spaces taken out of commission.

3.3.35 The costs associated with the decant solution relating to the provision of the temporary accommodation for a period of around two years have been included in the development costs in the financial model since this is the worst case scenario.

Site Disposals and Acquisitions

3.3.36 If Wilson Hospital is the Preferred Option, it will be possible for NHS PS to dispose of the Birches Close site. It will also be possible to dispose of the strip of land facing Caesar's Walk on the Wilson Hospital site even if the remainder of the site is being used.

3.3.37 It is assumed that the acquisition of the site will be a non-value transaction between CHP and NHS PS.

Outline Design

3.3.38 A possible outline design to illustrate the above points is presented in Figure 3.7.

Figure 3.7. Wilson Hospital Outline Design



Summary

3.3.39 A summary description of each site is presented in Figure 3.8 below.

Figure 3.8. Site Options

Consideration	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital
Accommodates full SoA	Yes	No, some services on second site	No, some services on second site	Yes
Car parking availability	Yes	None except disabled spaces on site	Very limited in addition to disabled spaces on site	Yes
Locally listed buildings	Birches House to be refurbished	Front of Wilson Hospital if this is the second site	Front of Wilson Hospital if this is the second site	Front entrance
Decant required	Yes, to Wilson Hospital. Will need some refurbishment	No	No	Yes, to Birches Close which will need some refurbishment or temporary accommodation on Wilson Hospital car park
Acquisition	From NHS PS, non-value transaction	From Local Authority	From Local Authority	From NHS PS, non-value transaction
Sites to be disposed of	Wilson Hospital	Birches Close, strip facing Caesar's Walk on Wilson Hospital site	Birches Close, strip facing Caesar's Walk on Wilson Hospital site	Birches Close, strip facing Caesar's Walk on Wilson Hospital site
Issues	Access road to be approved, funded and built	Two phase refurbishment of Wilson Hospital, possible void costs	Two phase refurbishment of Wilson Hospital, possible void costs	Manor house foundations under the car park to remain undisturbed, strip of green belt on site, improvement of transport links

4 Economic Appraisal

4.1 Introduction

4.1.1 This section describes the process followed and the outcome of the qualitative appraisal of each of the four sites using the outline designs described in the previous section. The financial assessment and the result of combining the qualitative and quantitative appraisals to identify the Preferred Option are described in Sections 4 and 5.

4.2 Qualitative Assessment

Assessment Criteria and Weightings

4.2.1 The scheme objectives identified for the project were used as a basis for developing the benefit criteria against which the options could be objectively assessed. Weightings were agreed by the Mitcham Project Board and applied to the criteria to reflect their relative importance in terms of the benefits to be delivered through the various options proposed.

4.2.2 Two criteria were considered to be key determinants in evaluating the options for a site on which to develop the Mitcham scheme:

- Support for the model of care is considered to be the most important criterion in assessing the individual sites. If, for example, all the services cannot be delivered from a site, it is highly unlikely that integrated services can be delivered easily;
- Accessibility of the site is considered to be the second most important assessment criterion. If the site is not accessible, patients will choose to go elsewhere or not access healthcare services at all. The level of deprivation prevalent in the wards of East Merton is such that public transport will play a key part in improving access to the site from deprived areas.

4.2.3 The assessment criteria are presented in Figure 4.1.

Figure 4.1. Assessment Criteria

Evaluation Criterion	Description	Weighting
Support for the model of care	The ability of the site to house a building which fully supports the model of care.	35%
Accessibility	<p>The extent to which the site is accessible by public transport, private car or on foot. The availability of sufficient parking on the site.</p> <p>The ease with which delivery vehicles can service the site and the ease with which construction vehicles can access the site</p>	<p>25%, split as follows:</p> <ul style="list-style-type: none"> • Public transport – 9% • Private transport – 8% • Delivery access – 5% • Construction access – 3%
Clinical Adjacencies	The ability to place clinical services which frequently work together for the patients' benefit in close proximity within the building, for example having phlebotomy next to outpatient services.	13%
Dependencies	The extent to which the Project is dependent on third parties for success.	13%
Backroom clinical support	The ability to meet the requirements of the Mental Health Hub as an integral part of the scheme.	12%
Decant/phasing	The extent to which existing services and staff need to be moved to alternative accommodation before work on site can start.	2%

The Appraisal Process

4.2.4 Recognising the public interest in the decision on the site for the Mitcham scheme a formal public engagement event was included as part of the qualitative option appraisal process. A list of interested parties in the East Merton area was identified and then each was invited to send representatives to the event, which took place on 2nd October. The parties invited and those that attended are presented in Appendix A.

- 4.2.5 The event comprised a formal presentation of each site and the possible outline design of a building which would be possible on each site (the outline designs are shown in Section 3.3), a question and answer session and then an electronic vote to capture the appraisal of each site using the assessment criteria set out in Figure 3.1. A total of 40 attendees registered votes during the assessment. A summary of the event is presented in Appendix A.
- 4.2.6 Following the event an online survey was placed on the CCG website asking members of the public to register their votes. An information pack about each site was placed on the web pages and members of the public had to access these pages before they reached the opportunity to vote to rank the four options in order. We received only 9 responses from this process and the results were inconclusive and so the output will be used as supporting information only.
- 4.2.7 The result of the site appraisal from the public was combined with a similar exercise conducted with the Mitcham Project Board using the same set of assessment criteria. To reflect the additional knowledge and expertise available within the Project Board, the two appraisals were combined using a weighting of 60% of the Project Board weighted score and 40% of the Public weighted score.
- 4.2.8 The Do Nothing and Do Minimum options were not included in either the Project Board or Public assessment process since the Do Nothing option was discounted during the shortlisting and the Do Minimum option was considered to have so little benefit as to be not worth considering. However, for completeness, it has been assessed by the project team and included in the description of the outcome below.

Results of the Assessment

- 4.2.9 The Project Board members considered that the Wilson Hospital site was the most suitable for the development of the new facility. It received a weighted score of 86.7% with Birches Close second with 73.7%.
- 4.2.10 The public voting at the site assessment event was less consistent than might have been hoped in that not every delegate registered a vote for every question. On average 31 people voted on each question and so it was decided that the most reliable way to calculate the average score for each question was to divide the sum of the scores by the number of votes cast. Using this approach the public assessment considered that the Wilson Hospital was the most suitable for the development of the new facility. It received a weighted score of 84.7% with Birches Close second with 54.8%.
- 4.2.11 Combining the two assessments indicates that, from a qualitative perspective, the Wilson Hospital site is preferred.
- 4.2.12 The detailed scoring is presented in Figures 4.2, 4.3 and 4.4.

Figure 4.2. Results of the Project Board Assessment

Criterion	Weighting	Birches Close		Raleigh Gardens		Sibthorpe Road		Wilson Hospital		Do Minimum	
		Score (Out of 6)	Weighted Score	Score (Out of 6)	Weighted Score	Score (Out of 6)	Weighted Score	Score (Out of 6)	Weighted Score	Score (Out of 6)	Weighted Score
Support for model of care	35%	5.7	33.1%	2.0	11.7%	4.8	27.9%	5.7	33.1%	1.0	5.8%
Accessibility	25%	3.1	13.8%	2.9	14.0%	4.1	18.1%	4.9	19.1%	4.0	16.5%
Clinical adjacencies	13%	5.3	11.3%	2.4	5.3%	4.8	10.4%	5.4	11.8%	1.0	2.2%
Dependencies	13%	2.0	4.3%	4.0	8.7%	2.7	5.8%	5.0	10.8%	2.5	5.4%
Backroom clinical support	12%	5.0	10.0%	2.3	4.7%	3.6	7.1%	5.4	10.9%	1.0	2.0%
Decant	2%	3.7	1.2%	4.7	1.5%	5.9	2.0%	3.0	1.0%	5.0	1.7%
TOTAL	100%		73.7%		45.9%		71.3%		86.7%		33.6%

Figure 4.3. Results of the Public Assessment

Criterion	Weighting	Birches Close		Raleigh Gardens		Sibthorpe Road		Wilson Hospital	
		Score (Out of 6)	Weighted Score	Score (Out of 6)	Weighted Score	Score (Out of 6)	Weighted Score	Score (Out of 6)	Weighted Score
Support for model of care	35%	3.7	21.4%	1.2	7.0%	2.6	15.1%	5.4	31.8%
Accessibility	25%	2.5	11.3%	2.1	9.5%	3.2	13.8%	4.7	18.9%
Clinical adjacencies	13%	4.0	8.7%	2.2	4.9%	2.7	5.8%	5.3	11.4%
Dependencies	13%	2.1	4.5%	2.7	5.8%	2.2	4.9%	4.6	10.0%
Backroom clinical support	12%	3.9	7.8%	1.5	3.0%	2.8	5.5%	5.6	11.2%
Decant	2%	3.2	1.1%	4.4	1.5%	4.3	1.4%	4.2	1.4%
TOTAL	100%		54.8%		31.7%		46.5%		84.7%

Figure 4.4. Combined Weighted Score for Each Option

	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital
Combined weighted score	66.2%	40.3%	61.3%	85.9%

5 Financial Analysis

5.1 Introduction

5.1.1 The financial analysis of the four options has been conducted using the Department of Health's GEM with input provided by the following organisations:

- LBM which provided valuations for the two sites they own taken from an external asset review;
- Valuation Office Agency which provided valuations for the two NHS PS owned sites;
- AECOM which provided indicative costs on OBC forms for inclusion in the GEM. These costs included capital costs, lifecycle costs and operational costs. They also calculated the optimism bias, described in Section 5.3.

5.2 Principles and Assumptions for Financial Appraisal of the Options

5.2.1 The individual options have been defined in such a way as to make the comparison between them fair and equitable. The key general principles applied to an NHS economic appraisal and used in the GEM are summarised below:

- Cost/price base – all costs included within economic appraisals (property, capital and revenue) must be expressed in a common price base;
- Sunk costs – sunk costs, which have already been incurred and are non-recoverable even if operation ceases, are excluded from further consideration within economic appraisals;
- Transfer payments – transfer payments, which reflect a redistribution of wealth from one part of the public sector to another, are excluded from economic appraisals;
- Equipment costs – where equipment is purchased, these costs will be reflected in economic appraisals, both in terms of initial expenditure and equipment replacement throughout the life of the scheme;
- Timing of costs – the timing of costs will be reflected in the cash flows in accordance with their expected occurrence.

5.2.2 The assumptions made in using the GEM to analyse the financial implications of developing on each site are summarised in Figure 5.1.

Figure 5.1. Financial Model Assumptions

Financial Appraisal Factor	Value
Appraisal period	60 years
Alternative appraisal period	30 years
Base year for pricing	2014/15, as per guidance PUBSEC 173
Starting year for model	2016/17
Discount rate	3.5% (years 1 to 30) 3.0% (years 31 to 60)
Local Authority site valuations	Raleigh Gardens: £1,000,000 Sibthorpe Road: £500,000
NHS property valuations	Birches Close: £3,000,000 Wilson Hospital: £5,000,000 Wilson Hospital Caesar's Walk frontage: £500,000

5.3 Capital Costs

5.3.1 The capital costs have been developed by AECOM with cost allowances taken from the Healthcare Premises Cost Guides (HPCGs) Second Edition published by the Department of Health Estates and Facilities Division effective from April 2010, with adjustments to reflect the proposed development. The BIS PUBSEC index has been used in lieu of the MIPS index that is no longer being published by the Department of Health. The Department of Health's last issue recommended reporting level of MIPS was 480, which is equivalent to PUBSEC 173 and is to be used in the preparation of business cases. The BCIS Location Index has been used for the location adjustment. The capital costs of each option are summarised in Figure 5.2. Full OB forms are attached at Appendix B.

5.3.2 The capital costs comprise the following elements:

- Departmental costs which are the build or refurbishment costs for each department within the SoA based on the floor area. All costs are for new build, with the following exceptions:
 - Birches House for the Birches Close option;
 - The listed part of the Wilson Hospital for the Raleigh Gardens, Sibthorpe Road and Wilson Hospital options;

- On costs which are calculated as a percentage of the departmental costs. The percentage is dependent on the complexity of the development required and varies between 28% for the Raleigh Gardens option and 35% for the Sibthorpe Road option;
- A provisional location adjustment of 9% based on PUBSEC London 109, 2Q2014;
- Professional fees to cover architects, engineers, surveyors and other professional services required for the development. They are calculated as a percentage of the works costs and the provisional location adjustment;
- Equipment costs which are calculated as a percentage of the department costs. These percentages reflect the equipment to be installed and, as a result, the figure for the Raleigh Gardens option is significantly lower since no MRI will be installed;
- Non-works costs which include all other capital costs to be incurred during the development. Examples of such costs are:
 - Planning and building regulation fees;
 - Site cleanup, such as the decontamination needed on the two town centre sites and asbestos removal from the two NHS PS sites;
 - Decommissioning of existing buildings;
 - IT structured cabling installation, telephones and IT hardware and systems;
 - Artwork;
 - Temporary accommodation, both physical accommodation as may be required for the Wilson Hospital development and minor refurbishment to provide such accommodation as required for the Birches Close development.
- A planning contingency, calculated as a percentage of all other costs.

- 5.3.3 The final element of the capital costs is the optimism bias. There is a tendency when appraising capital projects to be overly optimistic, for example regarding capital costs, timescales and benefits. The 'Green Book' requires explicit adjustments to business case estimates to allow for 'optimism bias'.
- 5.3.4 As part of the typical optimism bias calculations a percentage increase to capital costs is given as an 'upper bound' calculated using a template issued by HM Treasury. Contributory factors to optimism bias are also provided within this template with each factor being assigned a weight to reflect its relative importance to the 'upper bound'.
- 5.3.5 Mitigation is then applied by assessing each contributory factor as to the extent that each factor is still applicable to the project at its current stage of development. When a factor is fully mitigated its percentage share is reduced to zero. The revised percentage shares for each factor are then summed and multiplied by the 'upper bound'.

- 5.3.6 AECOM has calculated the optimism bias for each option as shown on the OB forms. Details of the Optimism Bias assessment are shown in Appendix B and the resultant percentage increases are shown in Figure 5.3.
- 5.3.7 Note that the financial appraisal has been conducted at constant prices using the base year of 2013/14 and therefore the inflation adjustment included in the OBC forms has been excluded.
- 5.3.8 The capital cost of the Do Minimum option has been estimated using comparable refurbishment costs for Birches House, the Polyclinic on the Birches Close site and the Wilson Hospital. Estimates have also been added for all other elements of the capital cost based on the refurbishment proportion of the other options. The costs are also included in Figure 5.2.

Figure 5.2. Summary capital costs, excluding VAT

Summary £'000s	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital	Do Minimum
* Total works costs	13,270	11,939	13,112	13,567	7,981
Provisional location adjustment (PUBSEC London 109 Q2 2014)	1,194	1,075	1,180	1,221	718
Build Costs	14,464	13,014	14,292	14,788	8,699
** Fees	2,170	1,952	2,144	2,218	1,305
Non-works costs	3,979	3,353	3,341	3,920	1,000
Land purchase		1,000	500		
Equipment	3,458	1,457	3,631	3,710	1,462
Planning Contingency	2,407	1,978	2,341	2,464	1,247
Total for Approval Purposes	26,478	22,754	26,249	27,100	13,713
Optimism Bias	5,269	7,288	8,626	4,959	3,428
Total	31,747	30,042	34,875	32,059	17,141

* Note that Total works costs includes on costs calculated at a percentage of the total build cost based on the SoA.

** Fees are calculated at 15% of build costs

Figure 5.3. Optimism Bias

	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital
Upper bound	25.5%	43.0%	43.0%	23.5%
Actual for the OB forms	19.9%	33.5%	33.5%	18.3%

5.4 Lifecycle Costs

- 5.4.1 Lifecycle costs represent the estimated future costs of renewing and replacing life expired building and engineering services over the notional anticipated 60 year life of the building as necessary to maintain the functionality and availability of the building facilities.
- 5.4.2 Lifecycle costs have been estimated by AECOM, based on typical profiles for asset renewal and are included at Appendix C. The analysis assumes that hard Facilities Management (FM) services and asset renewals will be delivered over the full project lifecycle to an appropriate level and standard to maintain the quality, effectiveness and availability of the building facilities.
- 5.4.3 Using the Gross Internal Floor Area (GIFA) of each building and type of facility each building was assigned a benchmark cost per m² against its GIFA using AECOM's database of comparable facilities. The comparable facilities used will recognise the location of these buildings and also the nature of the services undertaken in the buildings.
- 5.4.4 For the retained buildings the level of works proposed under the refurbishment has been considered; these will impact on the lifecycle provisions. In this regard the level of works has been considered significant and should restore the buildings' components, which will be required to be replaced over the 60 year period to an "as new" condition.

5.5 Revenue Costs

- 5.5.1 In addition to the capital and lifecycle costs identified above, revenue costs to be incurred over the life of the building have been included in the GEM. The key potential components of these costs are:
- Clinical services costs – these have been assumed to be identical across the four options;
 - Non-clinical services costs – these comprise two elements:
 - Hard Facilities Management (FM) costs;
 - Soft FM costs;

- Other building running costs, such as charges for utilities and rates;
- Void costs – the Raleigh Gardens and Sibthorpe Road options which require the use of the Wilson Hospital building may leave some void space which needs to be paid for.

5.5.2 In developing the hard FM costs AECOM considered the likely costs that an external contractor would require to maintain all mechanical, electrical, building fabric and external elements based on a best principle FM Contractor. Using the above service standard and actual costs obtained from the business case for the Nelson Health Centre the GIFA of each building and type of facility was considered and each building was assigned a benchmark cost per m² against its GIFA using AECOM's database of comparable facilities.

5.5.3 AECOM used a similar approach when developing the soft FM costs.

5.5.4 The results of the financial appraisal are summarised in Figure 5.4 which presents the Net Present Costs (NPC) and Equivalent Annual Costs (EAC) for each option.

5.5.5 As can be seen from the figure, the Sibthorpe Road option is the most expensive to develop. This is due to the extent of the build on the site and the requirement to retain and refurbish the Wilson Hospital.

Figure 5.4. NPC and EAC for each development option

	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital	Do Minimum
NPC	£53.7m	£53.9m	£59.2m	£55.4m	£35.1m
EAC	£2.0m	£2.0m	£2.2m	£2.1m	£1.3m

6 Cost Benefit Analysis

6.1 Preferred Option

- 6.1.1 Comparing the options to identify the Preferred Option is not straightforward because, whereas costs can be calculated in the same way and using the same basis for all options and revenues from financial benefits such as property disposals can offset the costs, the qualitative benefits analysis does not result in a financial measure that can be compared with the financial analysis. If an option has higher costs, but also higher benefits, a decision needs to be taken as to whether the benefits justify the higher costs.
- 6.1.2 To overcome this difficulty and turn the qualitative assessment into a numerical score, the combined weighted score from the qualitative assessment is taken to represent the number of benefit points awarded to each option. A comparative measure of cost benefit can then be calculated as the cost, as determined by the NPC, per benefit point awarded. The Preferred Option is then determined by identifying which of the options considered has the lowest cost per benefit point.
- 6.1.3 The NPC figures from the GEM, the benefit points and the calculated cost per benefit point are all presented in Figure 6.1. From this figure it can be seen that the Wilson Hospital site is the Preferred Option, having a cost per benefit point which is 20% less than the next best option, Birches Close.

Figure 6.1. Cost Per Benefit Point

	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital	Do Minimum
Qualitative assessment	66.2	40.3	61.3	85.9	33.5
Net Present Cost	£53.7m	£53.9m	£59.2m	£55.4m	£35.1m
Cost Per Benefit Point (£m)	0.81	1.34	0.97	0.64	1.05

6.2 Sensitivity Analysis

- 6.2.1 The results of the qualitative analysis are fixed and so the sensitivity of selection of the Preferred Option can only be assessed by looking at variations in the financial analysis. There are two ways in which the Birches Close option would become the Preferred Option:
- The capital cost for the Birches Close option would need to be reduced to £42.7m, a reduction of 20%, while that for the Wilson Hospital option remained the same;
 - The capital cost for the Wilson Hospital option would need to increase to £69.7m, an increase of 26%, while that for the Birches Close option remained the same.
- 6.2.2 It is extremely unlikely that either of the NPC calculations would change so significantly.

6.3 Conclusion

- 6.3.1 Combining the two qualitative and financial assessments, the Wilson Hospital option is the most economically advantageous to develop and is therefore the Preferred Option. Sensitivity analysis indicates that there are no circumstances in which this outcome could realistically be expected to change.

Appendix A – Public Site Assessment Event

Introduction

Merton CCG ran a site assessment event on Thursday, 2nd October from 5.30pm to 8.30pm at The Hub in Morden. The objective of the event was to engage and involve the public in the assessment of the potential sites for the development of the new healthcare facility in Mitcham.

Event agenda and format

The format of the event was as follows:

- 17.30 – 18.00 Arrival
- 18.00 – 18.05 Welcome and introductions
- 18.05 – 18.15 Objectives for the event and agenda
- 18.15 – 18.25 Background to the Mitcham health facility
- 18.25 – 18.35 Site assessment criteria explained
- 18.35 – 19.45 Description of each site and voting
- 19.45 – 20.00 Where we go from here
- 20.00 Close

Publicity

The event was publicised in a number of ways, as shown below:

- 02/09/14 Targeted invitations sent via email and via Healthwatch, information also present on Healthwatch website, AGE UK website and Merton Council for Voluntary Services website
- 16/09/14 Reminder invitation sent via email
- 22/09/14 Merton CCG website updated with information, press release sent to local media, social media updates via Twitter
- 22/09/14 Publicity posters placed around the Wilson Hospital
- 25/09/14 Publicity flyers distributed at Merton CCG AGM
- 26/09/14 Joining instructions and delegate briefing information sent to registered list and asked to pass details onto colleagues/friends. Further social media updates via Twitter

Attendees/guest list

Invitations were issued to around 50 community and health related organisations in the Mitcham area, as listed in Figure A.1.

In addition, we invited the members of the Nelson Lay Representatives Group, those members of the public who volunteered at the Mitcham Carnival and the Patient Participation Groups from each of the East Merton GP practices.

Healthwatch supported the distribution of invitations.

Figure A.1. Organisations Invited to the Public Engagement Event

A Helping Hand at Hand	Action for Health & Social Care Education	Active Support and Care	African Educational Cultural Health Organisation	Age UK
Alzheimer's Society	Association of Polish Families	Carers Support Merton	Centra Support	Commonside Development Trust
Cricket Green Heritage & Community Association	Crossroads Care	Ethnic Minority Centre	Ethnic Minority Drugs Awareness Project	Federation of Community Associations
Focus-4-1	Friends of Mitcham Common	Friends of Phipps Bridge	Friends of Ravensbury Park	Friends of The Canons
Full Circle Counselling Agency	Glebe Court Tenants Association	Homestart Merton	Imagine Mainstream	Insight
Jeremiah Project	Jigsaw 4U	Lavender Residents Association	Lavender Steers Mead Children's Centre	Merton & Lambeth Citizens Advice Bureau
Merton Centre for Independent Living	Merton Community Transport	Merton MENCAP	Merton Oasis	Merton Residents Health Forum
Merton Sickle Cell & Thalassaemia Group	Mitcham Village Residents Association	NE Mitcham Community Association	N Mitcham Parks & Heritage Friends	Personal Independence Support CIC
Portland/Lewis Road Residents' Association	Rapid Improvement	S Mitcham Community Association	The Beeches Residents Association	The Jan Malinowski Centre
The Stroke Association	Volunteer Centre Merton	Wandle Valley Community Centre	Welcare in Merton	

Initially invitations were targeted to these groups and then opened up. Final attendance was 40 people, as shown in Figure A.2.

Figure A.2. Attendees

Residents	SW St George's User Group	Mitcham Independent Living for Carers
Sue Crawford	Lana Samuels	Slim Flegg
John Crawford		
John Mansfield	Mitcham Alzheimer's Society	Colliers Wood Surgery
Barbara Mansfield	Lorraine Bridger	Pat Hennessy
Mr Satinder Sharma		
Mrs Sushila Sharma	St Mark's Family Centre	Political
Joyce K. Bellamy	Angela Martin	Siobhain McDonagh MP
Ros Davis	Ian Petherbridge	Cllor Ian Munn (London Borough of Merton, labour)
Lynn McMullen		Cllr. B Lewis-Lavender
Jean Challis	Wilson Health Centre	Gili Lewis-Lavender
Lucy Hedden	Angelika Slon	Cllr. Stephen Alambritis
Jan Reuben	Tonia Spittle	Cllr. Peter Walker
Diana Coman	Kevin Murphy	Cllr. Maxi Martin
Neil Malcolm	Jane Bacon	
Mitcham Cricket Green & Heritage	Wide Way Medical Centre	
John Davis	Dr. Sayanthan Ganesaratnam	
Tony Burton	Dr. Jones	
Sandra Vogel	Dr. Sekeram	
	Shelly Usher	
Healthwatch		
Adele Williams	Age UK	
	Tracey Waterman	

Appendix B – OB Forms

Figure B.1. OB Form 1 for Birches Close Option

OPTION : BIRCHES CLOSE		Cost, Excl. VAT (£)
GIA: 6648m ²		
1.	Departmental Costs	10,123,000
2.	On-Costs	3,146,500
	30 % of Departmental Cost	
3.	Works Cost Total at 480 MIPS/ 173 PUBSEC FP index (1975=100)	13,269,500
4.	Provisional Location Adjustment (9% say) (PUBSEC London 109, 2Q2014, 16 Sep 14 Update)	1,194,000
5.	Sub-Total	14,463,500
6.	Fees	2,170,000
	15 % of Sub-Total 5	
7.	Non-Works Costs	3,979,000
8.	Equipment Cost	3,458,000
	34 % of Departmental Cost	
9.	Planning Contingency	2,407,000
	10 % of Sub-Total 5,6,7&8	
10.	TOTAL (for approval purposes)	26,477,500
11.	Optimism Bias	5,269,000
	19.9 % of Total Cost	
12.	Sub-Total	31,746,500
13.	Inflation Adjustments (PUBSEC 220, 2Q2016)	8,625,000
14.	FORECAST OUTTURN BUSINESS CASE TOTAL	40,371,500

Figure B.2. Optimism Bias Calculation for Birches Close Option

Optimism Bias Bound	Value
Lowest % Upper Bound	13%
Mid %	40%
Upper %	80%
Actual % Upper Bound for this project	25.5%
Mitigation for this project %	78%
Actual % for this project	19.9%

Category		Assessment	Weighting	Score
Build Complexity				
<i>Length of Build</i>	< 2 years		0.5%	
	2 to 4 years	X	2.0%	2.0%
	Over 4 years		5.0%	
<i>Number of phases</i>	1 or 2 Phases	X	0.5%	0.5%
	3 or 4 Phases		2.0%	
	More than 4 Phases		5.0%	
<i>Number of sites involved (i.e. before and after change)</i>	Single site*	X	2.0%	2.0%
	2 Site		2.0%	
	More than 2 site		5.0%	
Location				
<i>New site - Green field</i>	New build		3.0%	
<i>New site - Brown Field</i>	New Build	X	8.0%	8.0%
<i>Existing site</i>	New Build		5.0%	
	<i>or</i>			
<i>Existing site</i>	Less than 15% refurb		6.0%	
<i>Existing site</i>	15% - 50% refurb		10.0%	
<i>Existing site</i>	Over 50% refurb		16.0%	

Category		Assessment	Weighting	Score
Scope of Scheme				
Facilities Management	Hard FM only or no FM	X	0.0%	0.0%
	Hard and soft FM		2.0%	
Equipment	Group 1 & 2 only	X	0.5%	0.0%
	Major Medical equipment		1.5%	
	All equipment included		5.0%	
IT	No IT implications		0.0%	
	Infrastructure	X	1.5%	1.5%
	Infrastructure & systems		5.0%	
External Stakeholders	1 or 2 local NHS organisations		1.0%	
	3 or more NHS organisations	x	4.0%	4.0%
	Universities/Private/Voluntary sector/Local government		8.0%	
Service Changes				
	Stable environment, i.e. no change to service	x	5.0%	5.0%
	Identified changes not quantified		10.0%	
	Longer time frame service changes		20.0%	
Gateway				
RPA Score	Low		0.0%	
	Medium	x	2.0%	2.0%
	High		5.0%	
Total				25.5%

Figure B.3. Optimism Bias Mitigation Factor Calculation for Birches Close Option

Contributory Factor to Upper Bound	% Factor Contributes	% Factor Contributes after mitigation
Progress with Planning Approval	4	4
Other Regulatory	4	4
Depth of surveying of site/ground information	3	3
Detail of design	4	4
Innovative project/design (i.e. has this type of project/design been undertaken before)	3	2
Design complexity	4	3
Likely variations from Standard Contract	2	1
Design Team capabilities	3	2
Contractors' capabilities (excluding design team covered above)	2	1
Contractor Involvement	2	2
Client capability and capacity (NB do not double count with design team capabilities)	6	4
Robustness of Output Specification	25	18
Involvement of Stakeholders, including Public and Patient Involvement	5	4
Agreement to output specification by stakeholders	5	5
New service or traditional	3	2
Local community consent	3	2
Stable policy environment	20	16
Likely competition in the market for the project	2	1
TOTAL	100	78

Figure B.4. OB Form 1 for Raleigh Gardens Option

OPTION : RALEIGH GARDENS		Cost, Excl. VAT (£)
GIA: 6762m ²		
1.	Departmental Costs	9,298,000
2.	On-Costs	2,641,000
	28 % of Departmental Cost	
3.	Works Cost Total at 480 MIPS/ 173 PUBSEC FP index (1975=100)	11,939,000
4.	Provisional Location Adjustment (9% say) (PUBSEC London 109, 2Q2014, 16 Sep 14 Update)	1,075,000
5.	Sub-Total	13,014,000
6.	Fees	1,952,000
	15 % of Sub-Total 5	
7.	Non-Works Costs	3,353,000
8.	Equipment Cost	1,457,000
	16 % of Departmental Cost	
9.	Planning Contingency	1,978,000
	10 % of Sub-Total 5,6,7&8	
10.	TOTAL (for approval purposes)	21,754,000
11.	Optimism Bias	7,288,000
	33.5 % of Total Cost	
12.	Sub-Total	29,042,000
13.	Inflation Adjustments (PUBSEC 220, 2Q2016)	7,890,000
14.	FORECAST OUTTURN BUSINESS CASE TOTAL	36,932,000

Figure B.5. Optimism Bias Calculation for Raleigh Gardens Option

Optimism Bias Bound	Value
Lowest % Upper Bound	13%
Mid %	40%
Upper %	80%
Actual % Upper Bound for this project	43%
Mitigation for this project %	78%
Actual % for this project	33.5%

Category		Assessment	Weighting	Score
Build Complexity				
<i>Length of Build</i>	< 2 years		0.5%	
	2 to 4 years	x	2.0%	2.0%
	Over 4 years		5.0%	
<i>Number of phases</i>	1 or 2 Phases		0.5%	
	3 or 4 Phases	x	2.0%	2.0%
	More than 4 Phases		5.0%	
<i>Number of sites involved (i.e. before and after change)</i>	Single site*	x	2.0%	2.0%
	2 Site		2.0%	
	More than 2 site		5.0%	
Location				
<i>New site - Green field</i>	New build		3.0%	
<i>New site - Brown Field</i>	New Build	x	8.0%	8.0%
<i>Existing site</i>	New Build		5.0%	
	<i>or</i>			
<i>Existing site</i>	Less than 15% refurb		6.0%	
<i>Existing site</i>	15% - 50% refurb		10.0%	
<i>Existing site</i>	Over 50% refurb	x	16.0%	16.0%

Category		Assessment	Weighting	Score
Scope of Scheme				
Facilities Management	Hard FM only or no FM	x	0.0%	0.0%
	Hard and soft FM		2.0%	
Equipment	Group 1 & 2 only	x	0.5%	0.5%
	Major Medical equipment		1.5%	
	All equipment included		5.0%	
IT	No IT implications		0.0%	
	Infrastructure	x	1.5%	1.5%
	Infrastructure & systems		5.0%	
External Stakeholders	1 or 2 local NHS organisations		1.0%	
	3 or more NHS organisations	x	4.0%	4.0%
	Universities/Private/Voluntary sector/Local government		8.0%	
Service Changes				
	Stable environment, i.e. no change to service	x	5.0%	5.0%
	Identified changes not quantified		10.0%	
	Longer time frame service changes		20.0%	
Gateway				
RPA Score	Low		0.0%	
	Medium	x	2.0%	2.0%
	High		5.0%	
Total				43.0%

Figure B.6. Optimism Bias Mitigation Factor Calculation for Raleigh Gardens Option

Contributory Factor to Upper Bound	% Factor Contributes	% Factor Contributes after mitigation
Progress with Planning Approval	4	4
Other Regulatory	4	4
Depth of surveying of site/ground information	3	3
Detail of design	4	4
Innovative project/design (i.e. has this type of project/design been undertaken before)	3	2
Design complexity	4	3
Likely variations from Standard Contract	2	1
Design Team capabilities	3	2
Contractors' capabilities (excluding design team covered above)	2	1
Contractor Involvement	2	2
Client capability and capacity (NB do not double count with design team capabilities)	6	4
Robustness of Output Specification	25	18
Involvement of Stakeholders, including Public and Patient Involvement	5	4
Agreement to output specification by stakeholders	5	5
New service or traditional	3	2
Local community consent	3	2
Stable policy environment	20	16
Likely competition in the market for the project	2	1
TOTAL	100	78

Figure B.7. OB Form 1 for Sibthorpe Road Option

OPTION : SIBTHORPE ROAD		Cost, Excl. VAT (£)
GIA: 6360m ²		
1.	Departmental Costs	9,735,000
2.	On-Costs	3,377,100
	32 % of Departmental Cost	
3.	Works Cost Total at 480 MIPS/ 173 PUBSEC FP index (1975=100)	13,112,100
4.	Provisional Location Adjustment (9% say) (PUBSEC London 109, 2Q2014, 16 Sep 14 Update)	1,180,000
5.	Sub-Total	14,292,100
6.	Fees	2,144,000
	15 % of Sub-Total 5	
7.	Non-Works Costs	3,341,000
8.	Equipment Cost	3,631,000
	36 % of Departmental Cost	
9.	Planning Contingency	2,341,000
	10 % of Sub-Total 5,6,7&8	
10.	TOTAL (for approval purposes)	25,749,100
11.	Optimism Bias	8,626,000
	33.5 % of Total Cost	
12.	Sub-Total	34,375,100
13.	Inflation Adjustments (PUBSEC 220, 2Q2016)	9,339,000
14.	FORECAST OUTTURN BUSINESS CASE TOTAL	43,714,100

Figure B.8. Optimism Bias Calculation for Sibthorpe Road Option

Optimism Bias Bound	Value
Lowest % Upper Bound	13%
Mid %	40%
Upper %	80%
Actual % Upper Bound for this project	43%
Mitigation for this project %	78%
Actual % for this project	33.5%

Category		Assessment	Weighting	Score
Build Complexity				
<i>Length of Build</i>	< 2 years		0.5%	
	2 to 4 years	x	2.0%	2.0%
	Over 4 years		5.0%	
<i>Number of phases</i>	1 or 2 Phases		0.5%	
	3 or 4 Phases	x	2.0%	2.0%
	More than 4 Phases		5.0%	
<i>Number of sites involved (i.e. before and after change)</i>	Single site*	x	2.0%	2.0%
	2 Site		2.0%	
	More than 2 site		5.0%	
Location				
<i>New site - Green field</i>	New build		3.0%	
<i>New site - Brown Field</i>	New Build	x	8.0%	8.0%
<i>Existing site</i>	New Build		5.0%	
	<i>or</i>			
<i>Existing site</i>	Less than 15% refurb		6.0%	
<i>Existing site</i>	15% - 50% refurb		10.0%	
<i>Existing site</i>	Over 50% refurb	x	16.0%	16.0%

Category		Assessment	Weighting	Score
Scope of Scheme				
Facilities Management	Hard FM only or no FM	x	0.0%	0.0%
	Hard and soft FM		2.0%	
Equipment	Group 1 & 2 only	x	0.5%	0.5%
	Major Medical equipment		1.5%	
	All equipment included		5.0%	
IT	No IT implications		0.0%	
	Infrastructure	x	1.5%	1.5%
	Infrastructure & systems		5.0%	
External Stakeholders	1 or 2 local NHS organisations		1.0%	
	3 or more NHS organisations	x	4.0%	4.0%
	Universities/Private/Voluntary sector/Local government		8.0%	
Service Changes				
	Stable environment, i.e. no change to service	x	5.0%	5.0%
	Identified changes not quantified		10.0%	
	Longer time frame service changes		20.0%	
Gateway				
RPA Score	Low		0.0%	
	Medium	x	2.0%	2.0%
	High		5.0%	
Total				43.0%

Figure B.9. Optimism Bias Mitigation Factor Calculation for Sibthorpe Road Option

Contributory Factor to Upper Bound	% Factor Contributes	% Factor Contributes after mitigation
Progress with Planning Approval	4	4
Other Regulatory	4	4
Depth of surveying of site/ground information	3	3
Detail of design	4	4
Innovative project/design (i.e. has this type of project/design been undertaken before)	3	2
Design complexity	4	3
Likely variations from Standard Contract	2	1
Design Team capabilities	3	2
Contractors' capabilities (excluding design team covered above)	2	1
Contractor Involvement	2	2
Client capability and capacity (NB do not double count with design team capabilities)	6	4
Robustness of Output Specification	25	18
Involvement of Stakeholders, including Public and Patient Involvement	5	5
Agreement to output specification by stakeholders	5	4
New service or traditional	3	2
Local community consent	3	2
Stable policy environment	20	16
Likely competition in the market for the project	2	1
TOTAL	100	78

Figure B.10. OB Form 1 for Wilson Hospital Option

OPTION : WILSON HOSPITAL		Cost, Excl. VAT (£)
GIA: 6650m ²		
1.	Departmental Costs	10,283,000
2.	On-Costs	3,284,400
	32 % of Departmental Cost	
3.	Works Cost Total at 480 MIPS/ 173 PUBSEC FP index (1975=100)	13,567,400
4.	Provisional Location Adjustment (9% say) (PUBSEC London 109, 2Q2014, 16 Sep 14 Update)	1,221,000
5.	Sub-Total	14,788,400
6.	Fees	2,218,000
	15 % of Sub-Total 5	
7.	Non-Works Costs	3,920,000
8.	Equipment Cost	3,710,000
	36 % of Departmental Cost	
9.	Planning Contingency	2,464,000
	10 % of Sub-Total 5,6,7&8	
10.	TOTAL (for approval purposes)	27,100,400
11.	Optimism Bias	4,959,000
	18.3 % of Total Cost	
12.	Sub-Total	32,059,400
13.	Inflation Adjustments (PUBSEC 220, 2Q2016)	8,710,000
14.	FORECAST OUTTURN BUSINESS CASE TOTAL	40,769,400

Figure B.11. Optimism Bias Calculation for Wilson Hospital Option

Optimism Bias Bound	Value
Lowest % Upper Bound	13%
Mid %	40%
Upper %	80%
Actual % Upper Bound for this project	23.5%
Mitigation for this project %	78%
Actual % for this project	18.3%

Category		Assessment	Weighting	Score
Build Complexity				
<i>Length of Build</i>	< 2 years		0.5%	
	2 to 4 years	x	2.0%	2.0%
	Over 4 years		5.0%	
<i>Number of phases</i>	1 or 2 Phases	x	0.5%	0.5%
	3 or 4 Phases		2.0%	
	More than 4 Phases		5.0%	
<i>Number of sites involved (i.e. before and after change)</i>	Single site*	x	2.0%	2.0%
	2 Site		2.0%	
	More than 2 site		5.0%	
Location				
<i>New site - Green field</i>	New build		3.0%	
<i>New site - Brown Field</i>	New Build		8.0%	
<i>Existing site</i>	New Build		5.0%	
	<i>or</i>			
<i>Existing site</i>	Less than 15% refurb	X	6.0%	6.0%
<i>Existing site</i>	15% - 50% refurb		10.0%	
<i>Existing site</i>	Over 50% refurb		16.0%	

Category		Assessment	Weighting	Score
Scope of Scheme				
Facilities Management	Hard FM only or no FM	x	0.0%	0.0%
	Hard and soft FM		2.0%	
Equipment	Group 1 & 2 only		0.5%	0.5%
	Major Medical equipment		1.5%	
	All equipment included	x	5.0%	
IT	No IT implications		0.0%	
	Infrastructure	x	1.5%	1.5%
	Infrastructure & systems		5.0%	
External Stakeholders	1 or 2 local NHS organisations		1.0%	
	3 or more NHS organisations	x	4.0%	4.0%
	Universities/Private/Voluntary sector/Local government		8.0%	
Service Changes				
	Stable environment, i.e. no change to service	x	5.0%	5.0%
	Identified changes not quantified		10.0%	
	Longer time frame service changes		20.0%	
Gateway				
RPA Score	Low		0.0%	
	Medium	x	2.0%	2.0%
	High		5.0%	
Total				23.5%

Figure B.12. Optimism Bias Mitigation Factor Calculation for Wilson Hospital Option

Contributory Factor to Upper Bound	% Factor Contributes	% Factor Contributes after mitigation
Progress with Planning Approval	4	4
Other Regulatory	4	4
Depth of surveying of site/ground information	3	3
Detail of design	4	4
Innovative project/design (i.e. has this type of project/design been undertaken before)	3	2
Design complexity	4	3
Likely variations from Standard Contract	2	1
Design Team capabilities	3	2
Contractors' capabilities (excluding design team covered above)	2	1
Contractor Involvement	2	2
Client capability and capacity (NB do not double count with design team capabilities)	6	4
Robustness of Output Specification	25	18
Involvement of Stakeholders, including Public and Patient Involvement	5	5
Agreement to output specification by stakeholders	5	4
New service or traditional	3	2
Local community consent	3	2
Stable policy environment	20	16
Likely competition in the market for the project	2	1
TOTAL	100	78

Appendix C – Lifecycle Costs

As described in Section 3.5, the lifecycle costs have three elements, the cost per m² used in the calculations is set out in Figure C.1.

Figure C.1. Lifecycle Cost Rates and Calculations

	Birches Close	Raleigh Gardens	Sibthorpe Road	Wilson Hospital
Type	Mixed health/mental health (partial listed area)	Separate health and mental health (partial listed area)	Mixed health/mental health (partial listed area)	Mixed health/mental health (partial listed area)
GIFA	6,648 m ²	6,715 m ²	6,360 m ²	6,650 m ²
Lifecycle rate *	£24.50/m ² pa	£25.00/m ² pa	£24.00/m ² pa	£24.50/m ² pa
Hard FM rate	£22.00/m ² pa	£22.00/m ² pa	£22.00/m ² pa	£22.00/m ² pa
Cleaning & Associated Services rate	£26.50/m ² pa	£26.50/m ² pa	£26.00/m ² pa	£26.50/m ² pa
Total rate (£/m ² pa)	£73.00/m ² pa	£73.50/m ² pa	£72.00/m ² pa	£73.00/m ² pa
Annual cost **	£485,304	£493,553	£457,920	£485,450

Notes: * rate excludes specialist medical equipment

** costs are base date Q3 2014 and net of VAT and inflation