



**By Email:** [christine.allen@nhs.net](mailto:christine.allen@nhs.net)

Christine Allen  
Chief Executive  
West Hertfordshire Hospitals (WHHT) NHS Trust

16 June 2020

Dear Christine,

**WHHT: HIP Acute Hospitals Transformation Project – Strategic Options for  
OBC and Multi Storey Car Park Enabling Works**

**Strategic Options and Capital Affordability**

I am writing to confirm that we have considered your briefing '*Next Steps for West Hertfordshire Hospitals Acute Transformation*' at our joint DHSC and NHSEI Capital Delivery Committee and there is support from DHSC and NHSEI for WHHT to proceed to Outline Business Case (OBC) stage on the Trust's Acute Hospital Transformation Project.

In relation to the strategic options taken forward, we can see that there are options that potentially further optimise your new hospital solution by incorporating aspects of additional development within the scheme and we consider it helpful that these options should be considered further.

We understand that in order to further inform the trust position a workshop with the trust and relevant stakeholders, including DHSC and NHSEI, was held on the 8<sup>th</sup> April 2020 which discussed the range of options being considered and that the workshop concluded that there are 3 options that should be taken forward for in depth analysis at OBC stage as follows:

- Option 1: £300m investment in a new clinical block at Watford General Hospital (WGH), plus £50m investment at Hemel Hempstead Hospital (HHH) and St Albans City Hospital (SACH).
- Option 2: £370m investment in a new clinical block at WGH, including ED re-provision, plus £50m investment at HHH and SACH.
- Option 3: £540m investment to replace the Prince Michael of Kent (PMOK) building, re-providing the majority of clinical services at WGH into a new build facility, plus £50m investment at HHH and SACH.

DHSC and NHSEI confirm support for this range of options now being explored fully at OBC stage with our expectation being that all these options will be part of the “short list” economic appraisal included within the OBC.

However, we would ask you to note that the adoption of this approach and the inclusion of options within the OBC that are in excess of the indicative envelope for the scheme of £400 million, should not be viewed as pre-judging a decision at OBC stage, and should therefore not be taken as an indication at this stage that a higher value scheme will be nationally affordable or supported.

The view of DHSC and NHSEI is that whilst options should not be artificially constrained by the £400 million indicative allocation, our appetite for deliverability and timelines particularly in the current climate, remains high. With this in mind, we would not expect you to undertake options appraisal on any proposal that significantly increases the timescales for delivery of the scheme beyond 2025 and we would also not expect options to be developed that materially change the indicative values of the options set out above.

For information, the detailed cost breakdown of any proposed options will require further scrutiny as per standard process, but whilst we appreciate current costs are estimates and will require further detailed development, our expectation at this stage is that the Trust’s preferred options will take full account of major affordability risks such as scope and size, cost inflation and optimism bias.

The OBC process should identify both the best solution clinically for the Trust as well as ensuring delivery of the most cost-effective solution whilst considering this against the level of indicative capital envelope provided to the Trust. The expectation is that the Trust will work to identify ways to reduce the overall capital cost, through exploring innovative design and construction methods and through programme acceleration wherever possible (to minimise inflationary increases). We ask that you work with DHSC and NHSEI throughout OBC development and particularly that you work closely with the NHSEI Estates team with regard to design, construction and programme delivery.

In addition, we are also pleased to inform you that DHSC and NHSEI have provided approval for £8.7m early draw down of funds to enable the development of the OBC, with a further £22.3m required for FBC development to be approved at a later date. In light of the decision contained in this letter DHSC and NHSEI would invite you to reconsider your profile of expected early fees for reconsideration. If additional funding is required to achieve OBC delivery this will be considered, we would be grateful if you could respond to us on this point prior to the end of June 2020.

The trust should now work toward the delivery of the OBC ‘fundamental criteria’ in order to present an OBC that meets the minimum HMT / DHSC / NHSEI standards for approval (annexed to this letter). The DHSC Investment Appraisal and NHSEI Capital and Cash teams will work with you closely in order to support the delivery of these requirements.

### **Multi Storey Car Park Enabling Works**

We can also confirm that we have now considered the paper submitted by the trust entitled ‘*Multi-Storey Car Park – Watford General Hospital*’ requesting the approval of

enabling works of up to £5.732 million in relation to the delivery of the trust's car parking scheme.

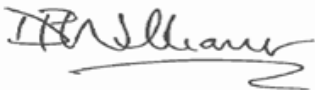
We understand that the trust is currently negotiating the final contract cost and is at the final stages of performing its due diligence and value for money assessment of the contract. Agreement in principle is therefore given to the enabling works subject to the following conditions:

- DHSC/ NHSEI being sighted on the final enabling works detailed cost/ value for money review currently being undertaken by the trust before giving final approval for the trust to enter into the enabling works contract.
- DHSC/ NHSEI being sighted on the final contract value ahead of the trust entering into the enabling works contract.
- The trust is asked to note that approval of the enabling works does not pre-judge a decision, which will be made at FBC stage, around support or availability of funding for the main construction contract for the car park.

We look forward to working with you to take both the major redevelopment project and the enabling car park scheme forward.

If you have any queries about this or any of the above, please let me know or contact Chris Cale, NHSEI or Sullivan Bever, DHSC in the first instance.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Williams', with a horizontal line underneath.

**DAVID WILLIAMS CB**  
Second Permanent Secretary  
Department of Health and Social Care