

**AGENDA ITEM NO:**

**UNIVERSITY HOSPITALS BIRMINGHAM NHS FOUNDATION TRUST  
BOARD OF DIRECTORS  
THURSDAY 26 JULY 2012**

<b>Title:</b>	<b>INSTITUTE FOR TRANSLATIONAL MEDICINE</b>
<b>Responsible Director:</b>	Morag Jackson, New Hospitals Project Director, ext 14326 Tim Jones, Executive Director of Delivery, ext. 2900
<b>Contact:</b>	Hilary Fanning, Deputy Director of Delivery, ext. 13697

<b>Purpose:</b>	To provide the Board of Directors with an update report regarding the proposed Institute for Translational Medicine (ITM) development.
<b>Confidentiality Level &amp; Reason:</b>	None
<b>Annual Plan Ref:</b>	To ensure UHB is recognised as a leader of research and innovation
<b>Key Issues Summary:</b>	Retained Estate (West Block) ITM development is the preferred option with at this stage. This would incur indicative capital costs of £18 million and annual revenue costs of £1.7 million.
<b>Recommendations:</b>	<p>The Board of Directors are requested to:</p> <ul style="list-style-type: none"> <li>• <b>NOTE</b> the potential implications, benefits and costs associated with the proposed ITM development.</li> <li>• <b>DISCUSS</b> the options and requirement for further work on this proposal, with a view to bringing a Full Business Case towards the end of the 2012.</li> <li>• <b>DELEGATE</b> authority to the Chief Executive and Director of Finance to take decisions on the ITM to meet any externally imposed deadlines which may arise between Board of Director Meetings.</li> <li>• <b>AGREE</b> a 50% contribution to the cost of a fixed term BHP project manager to develop the Full Business case.</li> </ul>

<b>Signed:</b>	<b>Date:</b> 19 July 2012
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# UNIVERSITY HOSPITAL BIRMINGHAM NHS FOUNDATION TRUST

BOARD OF DIRECTORS  
THURSDAY 26 JULY 2012

## INSTITUTE FOR TRANSLATIONAL MEDICINE UPDATE PRESENTED BY NEW HOSPITALS PROJECT DIRECTOR

### 1. Purpose of the Report

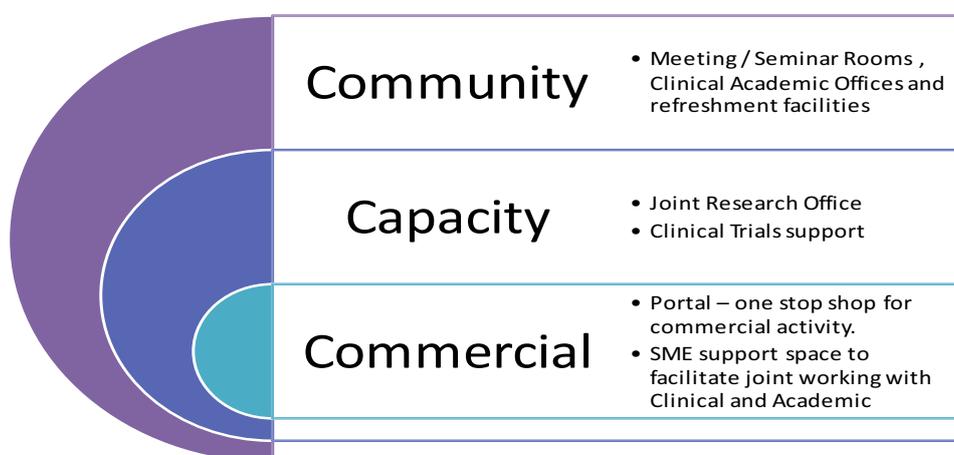
This report provides an update on the proposed development of an Institute for Translational Medicine (ITM) on the QE site. It includes background information on the proposed development along with the associated benefits and potential risks. The report includes indicative costs (capital & revenue) associated with the preferred options and summarises the potential funding streams.

### 2. Background and Expected Benefits

The Trusts 5-year strategic vision and the 2012/13 annual plan sets out that the continued development of research capability is a key strategic objective for the Trust. This proposed Institute for Translational Medicine (ITM) would help the Trust delivery of this key objective, the ITM is based on the central tenet that agglomeration of academic and clinical service assets (research staff, academic staff, clinical trials etc.) provides a platform for economic growth and faster technology transfer.

The concept of the proposed ITM encompasses three key elements;

### The three C's of an ITM



The proposed ITM development would be overseen by Birmingham Health Partners (BHP), collaboration between UHBFT and University of Birmingham which was launched in January 2012. BHP partners are well placed to realise the benefits of this development as they can offer:

- **Population** - access to a large patient catchment area with a unique combination of ethnic and socio-economic diversity.
- **Organisation Expertise** – a track record of successful collaboration and significant clinical trials expertise. Current examples include the Wellcome Trust Clinical Research Facility, the NIHR Liver Biomedical Research Unit, the NIHR Centre for Surgical Reconstruction and Microbiology Research and the UK's largest specialist cancer trials unit.
- **IT Infrastructure** – world class IT infrastructure and are leaders in the conversion of data and health informatics information into front line service improvements.
- **Capacity** – builds on existing academic and research excellence, the two organisations have identified physical capacity to continue growing this research portfolio.

The following recent developments have influenced this update report;

- **April 2012** Local Enterprise Partnership (LEP) submission of a City Deal bid to central government which included an ITM proposal.
- **May 2012:** Paper to Birmingham Health Partners Board seeking approval to obtain detailed plans and costs for a potential building.
- **13<sup>th</sup> June:** Bid submitted to the Regional Generation Fund (RGF) on behalf of the Birmingham Health Partners but was subsequently withdrawn.
- **26<sup>th</sup> June:** ITM Steering Group first meeting: this agreed that further work was required to ensure no duplication with existing and planned University schemes, also that a phased approach with clearly defined activities was the preferred way forward.
- **5<sup>th</sup> July:** An update paper was provided to the Trust Board of Directors covering options for the proposed development.
- **5<sup>th</sup> July:** Announcement of £12 million central government funding for a ITM as part of the governments City Deal for Birmingham

Existing translational research work performed by the BHP organisations is under taken across a range of locations with limited capacity to expand. Experience from other national and international centres (Imperial London, Pittsburgh and Pennsylvania) indicate that academic health system's research productivity increases where coherent alignment exists. This alignment should include universities undergraduate and postgraduate programmes; robust basic science portfolios which emphasize clinical and translational research and large profitable hospitals with major clinical speciality centres. Combining facilities and staff together in a unique facility would realise the following benefits;

- a. **Single point of entry** for the commercial, pharmaceutical and technology sectors into UHBFT and the University of Birmingham (UoB) for new ventures from inception to proof-of-concept testing.
- b. **Brings together research-support services** including assistance with preparation of research grant applications, and provide active guidance in technology commercialisation.
- c. **Develops innovative research approaches** from the close proximity between clinical academic researchers. The ITM would provide both formal and informal opportunities to develop research through meetings, conferences and shared co-location of research clinicians and academics.
- d. **Provides capacity for growth** in research infrastructure to accommodate staff funded through new research grants.
- e. **Increase in translational research** with a view to direct improvements in patient outcomes, saving lives and improving quality of life. This would be quantifiable through increased patient activity, clinical trial activity and the associated income.
- f. **Raise the profile of the BHP organisations and of Birmingham as a centre of excellence** in life science and translational research, attracting new income from increased research activity, private sector sponsorship and clinical trials activity.
- g. **Catalyst for growth and job creation**, knowledge-based roles created through spin-out companies and the expansion of existing smaller private sector enterprises which will help to rebalance the region's skills mix.

### 3. Options Appraisal

Following consultation with the University of Birmingham, key stakeholders and potential users, the BHP project team has agreed a high level specification of requirements for the proposed ITM;

- Ease of access for patients.
- Proximity and co-location to other areas of clinical academic activity on site e.g. clinical services, support and laboratories.
- Proximity and co-location with other areas of clinical research activity (e.g. Wellcome CRF) on site.
- Ease of access to clinicians and researchers for industry visitors coming on site, including pharmaceutical, medical technology and other small - medium enterprises (SME's).
- Circa 225 workspaces for an estimated 300+ staff in a mixture of single offices and open plan spaces.
- Clinical trials space including consulting / examination rooms and the associated waiting areas.
- Communal spaces and meeting rooms on each floor along with a small element of retail space.
- Expansion space for future developments.

Draft floor plans were developed which indicated that 6,000-7,000 square metres would be required. In the process of identifying potential locations for the ITM development within retained estate, consideration was given only to buildings not currently ear-marked for potential future clinical service provision.

More recently, University representatives have indicated a need for additional laboratory space (circa 200 square metres) to create a stratified medicine laboratory within this development. This need has not been fully agreed between all parties therefore, options have been developed with and without this additional requirement. Based on the specifications above the following options have been developed:

**Table 1: Summary of Options**

<b>Option</b>	<b>Description</b>
1	New Build ITM
1a	New Build ITM including additional laboratories
2	Retained Estate ITM
2a	Retained Estate ITM including additional laboratories
3	University Building option
4	Do Nothing

### **3.1 Option 1: New Build option for the ITM**

Appendix A provides a site map of the options considered for a potential new build ITM. These included;

1. New build on current Post Graduate Education centre site either as a stand alone facility or incorporating the anticipated Proton Therapy requirements.
2. New build on current Trust Headquarters site (demolition and rebuild).
3. New build on current fishpond site.
4. New build on current Laboratory Services site achieved by demolition and rebuild.
5. New build on current B1 car park adjacent to the new hospital.
6. New build towards the bottom of the new hospital drive.

Each location has a range of logistical and planning complexities. The size (7,200 square metres) for each new build location was similar along with the construction costs, therefore just one cost has been provided for a new build solution in the financial appraisal.

### **3.2 Option 1a: New Build (plus laboratories)**

This new build option is as per Option 1 above, but includes the additional 200 square metres for laboratories in line with the recent University of Birmingham request.

### **3.3 Option 2: Retained Estate Site option for the ITM**

After taking into account the requirements and considerations highlighted above, use of the West Block was the favoured option in terms of retained estate solution for locating the ITM. In this option, six levels (ground to 5<sup>th</sup> floor) would be refurbished to a high specification. The building is currently empty and benefits from close location to the existing Wellcome Clinical Research Facility, the new cell and gene therapy facilities and Tissue Bio repository and to the new hospital via the link bridge. The proposed usage of the West Block would be;

**Table 2: West Block Proposed Usage**

<b>Floors</b>	<b>Proposed Usage</b>
5 <sup>th</sup>	Clinical academic offices, meeting rooms, expansion space
4 <sup>th</sup>	Clinical academic offices, meeting rooms, expansion space
3 <sup>rd</sup>	Clinical academic offices, meeting rooms, expansion space
2 <sup>nd</sup>	Clinical academic offices, meeting rooms, expansion space
1 <sup>st</sup>	Communal areas, retail space, meeting rooms, clinical trials area
<b>Ground</b>	Entrance, waiting area, clinical research facility including consulting rooms and support services.

### **3.4 Option 2a: Retained Estate Site (plus laboratories)**

This retained estate option is broadly the same as Option 2 above, but includes the additional 200 square metres for laboratories in line with the recent University of Birmingham request. Building usage would be as per Option 2 but with 200 Sq. Metres of laboratory space on the 4<sup>th</sup> Floor of West Block.

### **3.5 Option 3: University Building (plus retained estate)**

A further solution could exist in the provision of the ITM space within a University Building, options are still being discussed but potential areas being considered include;

- Institute of Biomedical Research (IBR) building.
- HSRC Building extension or rebuild.

No detailed costs can be provided in this paper as detailed information to support this option has yet been finalised, work will continue on this option through the ITM Steering Committee.

### **3.6 Option 4: Do Nothing**

Given the recent central government announcement of funding to support an ITM development, doing nothing risks damage to the both organisations reputations. Doing nothing could result in a decline in the Trusts market share for clinical trials and research grants, especially if other organisations proceed with the ITM model of work.

As previously identified in the report to the Trust Board of Directors on the 5<sup>th</sup> July 2012, the Trust and the University of Birmingham have agreed to explore in more detail the implications of an ITM on both organisations. Therefore doing nothing has not been considered further at this stage.

### 3.7 Non Financial Appraisal of Risk and Benefit

Table 3 provides a summary of non-financial appraisal of risks and benefits associated with an Institute of Translational Medicine for both option 1 (new build) and option 2 (retained estate).

**Table 3: Non Financial Appraisal of Risk and Benefit**

	<b>Risk</b>	<b>Benefit</b>
<b>Option 1 &amp; 1a : New Build</b>	<p>A new build project on the QE site would require planning permission for the entire QE site along with a detailed assessment of the impact in terms of footfall, traffic and transport.</p> <p>A new build could impact on land that may be earmarked for other purposes limiting options for future developments.</p> <p>There is very little developable land available on the QE site.</p> <p>The Trust may not be able to accommodate a future Proton Therapy development when an announcement is made by the Department of Health on the 3rd centre. The announcement is expected in the next 3 years, this in turn would significantly impact on the Trusts Cancer services and potentially those of the Children's hospital.</p> <p>Will require a Variation to the current PFI contract for both estate and ICT services.</p>	<p>Could provide a state of the art, purpose built research facility.</p> <p>New build could be designed to ensure easy access for patients, staff and visiting Industry.</p> <p>A new build facility could offer additional capacity and space for new research staff to deliver a growing research portfolio.</p> <p>A new build could be more attractive to world class researchers.</p>
<b>Option 2 &amp; 2a: Retained Estate Site</b>	<p>Use of an existing building layout may result in a sub optimal design for a research facility.</p> <p>Substantial work required to bring the existing building up to current standards in terms of ICT cabling, building regulations, energy provision etc.</p> <p>Complications in terms of reaching an agreement with the current PFI partners to provide maintenance on a "mothballed" building.</p>	<p>Close proximity to the Wellcome CRF, Bio-repository, Gene-Cell Therapy facilities. .</p> <p>Makes use of existing retained estate buildings.</p> <p>Physical link to the new hospital already exists.</p> <p>Leaves a developable area free for a future Proton Therapy development.</p>

<b>Option 3 : University Build</b>	Trust would still need to fund refurbishment of retained estate and loses potential central government contribution.	Leaves Trust to focus on clinical service growth.
	Reduced benefit from co-location with clinical services.	Retained Estate would be prioritised for Trust services.
	Not physically linked to the New or old hospital	Fewer complications in terms of contractual negotiations with PFI operator.
	Could involve developing on the scheduled ancient monument.	

### 3.8 Preferred Option

An initial option appraisal of the risks and benefits was undertaken with the results shown in Table 4 below;

**Table 4: Risks and Benefits Assessment**

Benefit	Weight	Option 1 & 1a New Build		Option 2 & 2a Retained Estate	
		Score	Weighted Score	Score	Weighted Score
1 Clinical Quality	20	8	160	8	160
2 Accessibility	20	6	120	8	160
3 Workforce	20	6	120	6	120
4 Research	20	7	140	8	160
5 Reputation	20	8	160	7	140
<b>Total</b>	<b>100</b>		<b>700</b>		<b>740</b>

After the initial assessment of risks and benefits, the preferred option for an ITM is **Option 2 & 2a: Retained estate (West Block)**. This assessment was undertaken in the absence of detailed plans for Option 3 (University Build), therefore it was not possible to assess Option 3 risks or benefits at this stage.

## 4. Finance Section

For comparison purposes the indicative costs of option 1&1a (new build) and Option 2&2a (retained estate) are shown below;

### 4.1 Indicative Capital Costs

The indicative one-off capital costs are set out in Table 5 below:

**Table 5: Indicative Capital Costs**

<b>Capital Costs</b>	<b>Option 1 New Build £'000</b>	<b>Option 1a New Build + £'000</b>	<b>Option 2 Retained Estate £'000</b>	<b>Option 2a Retained Estate + £'000</b>
Departmental Works Costs	13,632	14,195	9,836	10,491
External Works & Contractors On Costs	3,520	3,820	1,700	1,730
Fees, Furniture & Fitting	2,730	3,245	1,723	2,373
ICT Infrastructure (cabling, hub rooms, etc.)	350	350	350	350
Contingency (final design spec.)	700	700	700	700
VAT	3,986	4,262	2,662	2,925
<b>Estimated Project Capital Cost</b>	<b>24,918</b>	<b>26,572</b>	<b>16,971</b>	<b>18,569</b>

Works costs were based on the high level specification and costs have been provided by external advisors using approved costing methodologies. These costs include a contingency for costing escalation during the detailed design process to finalise the exact requirements along with estimates for contractor's preliminaries, overheads and profit margins. It excludes potential inflation which may arise should the tender not be issued within the next 12-18 months. The costs also excludes an expected VAT saving to be determined when the tender has been issued and in discussions with VAT advisors and HMRC.

Options 1a and 2a are approximately £1.6 million higher than the base options due to the additional laboratory space building works, fees and high value equipment fume cupboards, freezers etc. and VAT payable.

#### 4.2 Indicative Revenue Costs

The indicative revenue costs are outlined below:

**Table 6: Indicative Revenue Costs**

<b>Annual Revenue Costs</b>	<b>Option 1 New Build £'000</b>	<b>Option 1a New Build+ £'000</b>	<b>Option 2 Retained Estate £'000</b>	<b>Option 2a Retained Estate + £'000</b>
Depreciation (base costs)	498	531	566	619
Depreciation (original building)	0	0	200	200
Hard FM maintenance	328	337	296	306
Rates	180	185	163	168
Soft Facilities Management (windows, clean)	200	200	200	200
IT support contract	180	181	180	180
Energy	288	296	260	268
<b>Estimated Project Revenue Cost</b>	<b>1,675</b>	<b>1,731</b>	<b>1,865</b>	<b>1,940</b>

Depreciation makes up a significant element of the ongoing revenue costs for this development. There are several elements to the depreciation included in Table 6, these are:

- New Build costs are depreciated over a 50 year asset life.
- Retained estate depreciation costs are based on the works costs plus the original building value and an estimated 30 year asset life.

At present all non retained estate buildings (including West Block) have been written off by the Trust following the signing of the new hospital PFI contract. They no longer appear in the Trusts Statement of Financial Position (Balance Sheet) as assets. This proposed development could potentially reverse the original impairment or “writing off”, thus changing the Trusts current 3-year and long financial plans. The correct depreciation can only be calculated following an external valuation of the buildings.

These indicative revenue costs exclude the following:

- Further contingency should the planning application result in listed building status.
- The costs of staff in particular new posts which may be added as a result of this development on the basis that separate business cases would be brought for any increases or new posts would be wholly funded from new research grants and income.

The revenue impact of the preferred option at this stage is expected to be circa £1.7 million per year. These indicative revenue costs will change once the final design is agreed, exact requirements are known and discussions are advanced with the PFI operator in terms of maintenance and ICT service specifications. For example the maintenance costs in Table 6 are based on a new hospital equivalent service; work could be under taken to develop a basic specification of preventative maintenance for the building.

#### **4.3 Phasing of Cash Flows**

Assuming approval is given to proceed with this development and agreement can be reached on the exact requirements, it is expected that a Full Business Case could be developed towards the end of 2012. Planning permissions would then be required and a tender process followed; therefore it is unlikely that funding would be required (beyond fees and project management costs) until the 2013/14 financial year.

#### **4.4 Funding Routes**

A range of funding options has been considered. For many of these options, discussions would be required with external organisations to take these forward, these discussions have yet to take place until the agreement has been reached on the preferred option. A summary of the potential funding options is set out below;

#### 4.4.1 Central Government Funding

The recent announcement of £12 million of central government funding support for this potential development would be sufficient to cover a large proportion of the initial costs. The details and potential restrictions to the central government funding have not yet been shared with the Trust. Even assuming the full £12 million is released direct to the Trust, there would still be a gap between the central funding provided and the likely full costs.

Therefore other potential funding sources for the initial capital costs would be required;

#### 4.4.2 Private Finance Initiative (PFI)

The PFI route would enable the private sector to borrow the money to fund the refurbishment or new build. The initial borrowing would then be repaid on an annual basis over a contractual period to be agreed. This route has been discounted due to its legal, financial and political complexities, along with potential complications with the existing new hospital PFI project.

#### 4.4.3 Private Sector, Commercial and Charitable Funding Options

Potential Sources of private sector funding include:

- **Pharmaceutical Industry** – unlikely to offer capital investment but may offer expertise and develop valuable working partnerships.
- **Local Industry** – again, the potential for any financial support from this sector has not yet been assessed. A potential way to progress this would be through a local marketing strategy co-ordinated through the Local Enterprise Partnership (LEP) to make use of their existing relationships with local industry.
- **Charities:** Funding could be provided from local or national charitable organisations who may be interested in supporting this type of valuable clinical and research work, in return, their support would be recognised internally in the building and more widely through ITM communications.
- **Philanthropic Donations** – in comparison with many Trusts, UHB FT receives relatively few large value donations from single bodies or organisations in recent years (outside QEHB charities). Last year the Christie NHS Foundation Trust charity raised £13 million and just recently a £20 million donation was made to fund cancer immunology research.
- **Naming Rights** – potential one-off funding could be sought by engaging with local, national charities or individual donors in respect of the naming rights for the ITM.
- **Other Local Trusts** - Birmingham Children's Hospital and Birmingham Women's Hospital have expressed an interest in being involved in an ITM development. Consideration would need to be given to the nature of this partnership if this was an option to be reviewed in more detail.

As identified in previous reports, a number of letters have been received from interested parties in support this development already however no clear funding agreements are in place at this stage.

#### 4.4.4 Birmingham Health Partners (BHP) Funding

The most likely source of additional capital funding would be from the two BHP organisations i.e. the Trust and the University of Birmingham. The preferred option of West Block refurbishment results in the Trust contributing the land, along with the building, therefore any additional cash requirements would be sought from the University of Birmingham in the first instance.

Trust capital expenditure will be restricted over the 3-year period covered by the latest financial plan submitted to Monitor (2012/13-2014/15). The capital funding restrictions are required due to the current methodology for calculating the Monitors Financial Risk Rating, in particular the need to maintain the Trusts liquidity ratio. With capital expenditure being limited (draft capital budgets set out below);

**Table 7: Draft Capital Budgets (Monitor 3-year Plan May 2012)**

	<b>2012/13 £'million</b>	<b>2013/14 £'million</b>	<b>2014/15 £'million</b>
<b>Capital</b>	<b>13.2</b>	<b>5.3</b>	<b>5.7</b>

These values exclude new hospital capital repayments and these budgets will be reviewed on an annual basis to reflect the organisations priorities and updated financial position. This shows that there is limited scope for the Trust to provide further cash funding for the initial works costs required for the ITM.

Trust funding for this ITM development will inevitably require other capital projects to be delayed, cancelled or downsized. This may include replacement of medical equipment including linear accelerators, replacing the existing PACS or PICs systems, undertaking work to support the final moves from Selly Oak or to create further clinical expansion space.

#### 4.4.5 Recurring Funding Options

In terms of ongoing funding of the revenue costs associated with this development, this would need to be funded from the BHP organisations. No provision for these costs is contained in the Trusts current 3-year financial plan or the Long Term Financial Plan.

The ITM development will generate additional income and in the longer run it would be expected to be self funding from overhead contributions and accommodation costs included in clinical trials and research grants. The two BHP organisations have an excellent recent record in winning competitive research bids. Other sources of income could be realised from;

- Intellectual Property: The ITM should provide scope to realise new income streams developed from translational activity generated as a result of the ITM.
- Education Income: this would include running and facilitating CPD and education courses offered based on this unique mix of academic and front line services.

Any shortfall would need to be covered by the two organisations based on some form of a cost share formula. For example this could be on a headcount basis e.g. split any shortfall based on the organisations employees occupying the building.

#### **4.5 Construction Procurement Routes**

Once agreement is reached on the scope and financing of the development, a process would need to be agreed to select a preferred contractor. Based on current best practice the options include:

##### **4.5.1 Procure 21**

This is a national procurement route designed for this type of construction or building refurbishment scheme. It is an established framework, with pre-selected suppliers included several of the main construction firms. This route provides a Guaranteed Maximum Price (GMP), there is a clear programme for selecting a contractor and avoids the need for a lengthy OJEU tender process. Critics suggest that the contractors costs are higher due building in contingencies for unknown risks covered by the GMP and that advisors fees are often higher in these schemes.

##### **4.5.2 Design & Build Competitive Tender**

This involves developing the tender specification, and inviting companies to submit costs and designs with meet the requirements. It can take place over one or two stages to reduce the number of bids; it achieves a clear price from bid responses and can be offered to specified number of companies. This route is likely to result in lower external advisors fees, lower contractors overheads and profits margins but problems can develop where poor outline briefs are created or the changes to requirements occur during the process.

##### **4.5.3 PFI Contract Variation**

Setting aside the potential for a new PFI contract, there may be the option to undertake this work as a contract variation to the existing PFI scheme.

#### 4.5.4 OJEU Tender Competition

This is another route for a scheme of this size / value, again the guidance and framework for this process is well established. This route can be time consuming, result in a significant administrative burden on the Trust in terms of checking the large number of likely tender responses and due diligence on the bidders.

In addition to the selection of a route for the construction and refurbishment contract, consideration needs to be given to the provision of Hard FM services e.g. building maintenance and whether the existing PFI contract is extended to cover this building.

### 5. Risks and Mitigation Plan

The costs included in this paper are based on a high level specification drawn up with the University of Birmingham. At this stage it is not possible to provide a definitive list of the clinical academic research streams which will populate the ITM. The ITM Steering Group, chaired by Professor M. Shepard would be the decision-making body for finalising this. It is likely that genetics, proteomics, bioinformatics, clinical and health informatics would form some of the component parts.

This is one of the risks associated with this proposed development e.g. at present it is not possible to say how many of the posts or spaces being created for this development would be new posts, how many would be employed by the Trust or the University and what existing capacity this may free up for other uses. Other risks identified at this stage include:

- **Unknown outcomes criteria** the outcomes required from any central government grant are not known and may be undeliverable through this proposal. Measures of success or failure and the associated potential grant penalties or claw backs are also unknown at this stage.
- **Lengthy approvals process** potentially involving by the Cabinet Office, HM Treasury, Department of Health, Department for Business Innovation and Skills, Local Enterprise Partnerships and others, this is unknown at present as are the potential timelines.
- **Funding Flows** between the organisations listed above and between the Trust and the University are yet to be clarified.
- **Financial gap** the gap in both the one-off and recurring costs will need to be funded for the ITM to become a reality or the size and scope of the refurbishment would need to be reconsidered to reduce the gap. In terms of the recurring costs, BHP has achieved significant success in attracting new research award grant income over the last three years in an increasingly competitive field.
- **Change in National Priorities** e.g. worsening economic data or change of government means that life sciences and translational medicine become a lower priority for central government.

- **Patient recruitment** for clinical trials continues to drop as shown when comparing total recruitment numbers (portfolio and other) between 2011/12 and 2010/11. A recent grant to the Wellcome CRF and a new Trust wide action plan to improve recruitment should mitigate this risk.
- **Difficult to quantify benefits**, high levels of research lead to direct and indirect benefits to the Trust but these are difficult to measure for example; improved reputation, higher clinical demand, easier recruitment of higher calibre clinical staff.
- **Contractual difficulties** either between the BHP partners, with the PFI operator or the selected contractor.
- **Planning Permission** results in listing of the building with the potential impact on costs and the completion programme which may result.
- **Infrastructure Impact** e.g. traffic flows, car parking, detailed assessment of energy provision etc.

It should also be noted that there are wider risks relating to the macro environment for clinical research activity, these include;

- The UK now accounts for less than 2% of global clinical trials activity, compared with around 12% in the early 1980s (6% in 2000).
- The UK's percentage share of European trials has fallen from 46% to 24%.
- Government funding in this sphere is in decline as a result of the overall economic position.

As the development specification is finalised, this risks will either be mitigated or plans put in place to minimise the potential risk impacts on the projects.

## 6. Draft Project Programme

Further work is required to complete a Full Business Case for this proposed development. Should the Board of Directors approve further work based on the indicative figures included in this report, tasks requiring completion include:

- Finalisation of the building specification in terms of exact requirements of both organisations, room data sheets, detailed drawings etc.
- Finalisation of the exact staff mixture of staff from both parties, clarification as to which are new roles and which may be transfers.
- Drawing up a proposed development in terms of an outline planning application to Birmingham City Council. .
- Discussions with the PFI operator and sub contractors to identify the annual costs associated with building maintenance and energy provision for this building over the longer term.
- A detailed accounting review to assess the impact of reinstating the retained estate building as a Trust assets and its impact on the Trusts 3-year and long term financial plans, annual surpluses and Financial Risk Rating.
- Discussions with external advisors regarding VAT treatment and building asset values.

- Continue work on the potential infrastructure implications of this development including traffic flows, car parking options and any space which may be freed up by creating this capacity.
- Finalisation of the ICT connectivity, the re-cabling of the building, placement of new hub rooms and the ongoing ICT support requirements.

A project team will be required to continue with this work, this will require additional resources over and above the existing staff drafted in to scope this development. The Trust has picked up the majority of the project team and external advisors costs to date, therefore discussions are ongoing with the University of Birmingham to fund some additional support. This is likely to be in the form of a fixed term project manager (Band 7), therefore depending on the outcome of the discussions, the Board of Directors is requested to support 50% of a full time fixed time project manger post.

## 7. Conclusion

This report sets out the significant potential benefits which could be delivered for the BHP organisations by providing an ITM facility on the QE site. A significant amount of work needs to be undertaken by the two organisations to move this project forward, however initial costs suggest a quality refurbishment of the West Block could cost in the region of £17-£18 million and incur additional annual costs of circa £1.7 million.

Should the financial gap not be closed in discussions with the University and external organisations, further work could done to revisit the overall scope of the building refurbishment in terms of size, specification or equipping.

## 8. Recommendations

The Board of Directors is requested to:

- 8.1 **NOTE** the potential implications, benefits and costs associated with the proposed ITM development.
- 8.2 **DISCUSS** the options and requirement for further work on this development, with a view to bringing a Full Business Case towards the end of the 2012.
- 8.3 **DELEGATE** authority to the Chief Executive and Director of Finance to take decisions on the ITM to meet any externally imposed deadlines which may arise between Board of Director Meetings.
- 8.4 **AGREE** a 50% contribution to the cost of a BHP project manager to support the development of a Full Business case.

**Tim Jones**  
Executive Director of Delivery

**Morag Jackson**  
New Hospitals Project Director

