NHS HIGHLAND

LOCHABER REDESIGN

NHS Highland
na Gàidhealtachd



OUTLINE BUSINESS CASE

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1 EXECUTIVE SUMMARY

The purpose of the Outline Business Case (OBC) is to identify the preferred option for implementing the strategic / service solution confirmed at Initial Agreement stage. It will demonstrate that the preferred option optimises value for money and discusses associated affordability challenges. It will also set out the supporting commercial and management arrangements to be put in place to successfully implement that option.

This OBC follows the approval of an Initial Agreement in 2022 (see Appendix 1). Further work has now been undertaken in relation to the next stage of the capital investment lifecycle; the development of the Outline Business Case (OBC) in line with the Scottish Capital Investment Manual (SCIM) process.

This OBC sets out the requirements for an investment in a new Rural General Hospital (RGH) in Lochaber and seeks approval from the Scottish Government Capital Investment Group (CIG) to continue the development of this investment and present a Full Business Case (FBC) for approval.

1.1 Introduction

1.1.1 The Lochaber Service Redesign Programme remobilised in early 2025, following a 12-month pause in funding of capital projects by Scottish Government. The Outline Business Case (OBC) is now being developed in compliance with the Scottish Capital Investment Manual (SCIM), targeting submission to the Capital Investment Group for approval in May 2026.

1.1.2 This Outline Business Case describes the need for capital investment in healthcare premises within Lochaber and sets out the options assessed for future healthcare provision.

1.1.3 The benefits to be achieved through these investments centre on meeting the objectives of NHS Highland. The key benefits include:

- supporting people to stay in their own home for as long as possible;
- increasing the choice and access to services in Lochaber;
- increasing flexibility and responsiveness of services;
- increased use of technology to support person-centred care;
- promoting self-management to allow people to stay healthy for longer;
- increasing early intervention and preventative work;
- addressing inequalities, taking cognisance of Fairer Scotland duties;
- increasing the opportunities to work jointly across health and social care, supporting increased co-location and integration of health and social care staff; and
- making optimum use of existing health and social care resources, staff facilities and accommodation.
- ensuring our services and proposals support and respond to the needs of the local economy, realising opportunities for joint working with partner agencies as appropriate.

- Delivery of a hospital environment which is fit for purpose, resilient and which can adapt to future changes in demand.

1.2 Development of the Outline Business Case

1.2.1 A variety of stakeholders including service users, carers and staff have been involved in developing this proposal, which responds to, and supports, national and local healthcare strategy and meets the needs of the local people in Lochaber.

1.2.2 The OBC presents the preferred option for implementing the strategic / service solution confirmed at Initial Agreement stage. The OBC demonstrates that the preferred option optimises value for money and discusses affordability. This OBC also sets out the commercial and management arrangements to be put in place to successfully implement the preferred option.

1.3 The Strategic Case

The Initial Agreement, approved in 2022, established a clear case for investment in a new Rural General Hospital for Lochaber, grounded in the need to replace an ageing facility, strengthen the resilience of local services and provide sustainable care for a remote and rural population. That strategic rationale remains valid.

Since approval of the IA, a period has elapsed during which the wider policy, planning and service environment has continued to develop. National frameworks have been introduced that strengthen the emphasis on prevention, community-based care and population-level planning; new sub-national planning arrangements now shape how Boards work together regionally. Since Initial Agreement, NHS Highland has progressed a broad transformation programme to deliver system-wide improvements, including reviews of urgent care, outpatient pathways, diagnostics and community-based services. The Lead Agency Model of social care provision is also under review, and the Highland Council have commenced work on development of a future vision for social care provision across the Highland region. Following remobilisation in April 2025, the scope of the Lochaber Redesign has therefore been reviewed and clarified to reflect the impact of these whole system workstreams and their respective governance arrangements.

Project-specific progress has been achieved. The Blar Mhor site has been formally confirmed, and design development has progressed to the planning application stage. Additionally, further analytical work has enhanced the understanding of the workforce and digital requirements associated with the service model. These developments have provided an opportunity to refresh the underlying assumptions supporting the next stage of business case development.

The Strategic Case therefore reconfirms the continuing need for investment and summarises the material developments since the IA, ensuring that the Outline Business Case reflects the most up-to-date strategic, policy and operational context for the Lochaber redesign.

1.4 The Economic Case

The Economic Case sets out the process which was undertaken to identify and assess the options which could deliver the preferred service solutions.

This process identified a list of potential options, and assessed these against the agreed Investment Objectives, to identify the preferred option.

The Investment Objectives have been established from the work undertaken to complete the Initial Agreement, and reviewed in the development of the Outline Business Case, and these are:

1. To deliver RGH services locally wherever possible and adapt to the unique and changing needs of the population in the remote and rural locality of Lochaber which is recognised as The Outdoor Capital of the UK.
2. Develop a sustainable RGH service which optimises the skills of the local workforce, improves recruitment and retention, and offers enhanced opportunities for training, including planned collaboration with other local agencies.
3. Deliver RGH services which maximise opportunities in current and future healthcare technology and innovation, making best use of this to benefit patients and staff.
4. Provide a modern flexible healthcare facility which supports the provision of a 21st century RGH model of care focused on patients and families.
5. Deliver services and infrastructure which will minimise environmental impact and deliver to Scottish Government's climate change targets, now and in the future.

To achieve these Investment Objectives, the project team will maintain a focus on the improved healthcare outcomes and the ambition to deliver improved models of care supported and enabled by appropriate facilities.

These Investment Objectives will be referred to at each stage of the project to measure progress and ensure that the objectives are kept in focus at each stage of the project lifecycle.

1.4.1 Service Options

The service options to be considered during the Options Appraisal exercise were those recommended in the Initial Agreement:

- Option 3: RGH Core + intensive rehab
- Option 4: RGH Core + intensive rehab and enhanced elective care

In discussion with Scottish Government (Health and Social Care Directorate) the team were advised to ensure that the options to be appraised are economically different and address emerging strategic policies including:

Service Renewal Framework (2025: link):

- Core principles of prevention, people-focused care, community involvement, population health planning, integration of digital technologies.
- Realigning service provision to address current & future health challenges

- Shift balance of care towards community-based solutions

Population Health Framework (2025: link):

- Improve health & wellbeing, increase life expectancy, tackle health inequalities
- Promotes collaboration between national and local government, public sector and communities
- Emphasises importance of community involvement

A 'Hospital Plan' was also referenced which is unpublished at the time of writing but is expected to result in a national/ regional approach to specialist care which would be unlikely to impact the proposed service arrangements.

The following key strategies have also been developed since the Initial Agreement or are in development:

Public Service Reform Strategy (2025: link)

- Prevention of inequalities
- Integrated, accessible services
- Efficiency through shared services, digital transformation and workforce reform.

National Islands Strategy (2019: link) and Rural Delivery Plan (expected 2026: link)

- Places/ is likely to place a Duty of care on policy makers to consider unique needs of rural and island communities.

Following a review of the above strategies, it was considered that assessing a further option which would provide a degree of economic difference would make a more thorough Options Appraisal.

It was agreed that Option 5 from the Initial Agreement could be reintroduced to illustrate the risks and benefits associated with an Ambulatory Care model which might better align recent strategic direction.

An options appraisal workshop involving internal and external stakeholders was held on 24 February 2026 to assess the non-financial benefits of each option, which have since been aligned with the associated financial benefits.

The Options Appraisal process as a key part of the Economic Case, demonstrated that the most economically advantageous option is:

- **Option 4: Core Rural General Hospital with enhanced Intensive Rehabilitation provision and increased elective activity.**

1.5 The Outline Commercial Case

The Commercial Case sets out the procurement and contractual arrangements which will be required to deliver the preferred service solution.

This includes the appointment of Balfour Beatty as the Principal Supply Chain Partner (PSCP) from the Health Facilities Scotland Frameworks 3 to develop a design to RIBA Stage 4, and the appointment of Thomson Gray as Lead Advisor, to establish a robust capital cost for the investment.

Frameworks Scotland 3 embraces the principles of 'collaborative working' to ensure that teams within, and between, the public and private sectors work together effectively.

To achieve the collaborative objectives, the PSCP, Lead Advisor, and NHS Highland have worked together utilising an NEC4 form of contract. The principal objective of an NEC4 contract is to engender a collaborative working approach by creating an open, cooperative, non-adversarial team approach to managing the contract.

1.6 The Outline Financial Case

The Financial Case sets out the financial requirements of this investment in terms of capital investment, and revenue costs relating to the staffing and ongoing operation of the facility. The affordability of this investment and the source of funding are detailed in the Financial Case section.

Capital costs at the completion of RIBA Stage 3, are estimated to be in the order of £202m for the preferred option. This cost includes construction costs, professional fees, optimism bias allowance, equipment, sustainability allowance and design risk. This capital cost has been developed by Balfour Beatty, with detailed engagement from their supply chain (suppliers and sub-contractors) with c. 80% of work packages market tested. The costs have been checked and verified by Thomson Gray to ensure that competitive market rates have been achieved, and that this represents value for money.

These capital costs will be further developed at FBC stage as the detailed design work progresses, and further engagement with specialist suppliers and sub-contractors continues.

Capital costs include appropriate risk allowances including an Optimism Bias calculation, and inflation allowances to the mid-point of the construction period. Current global events, including the ongoing conflict in the Middle East, wider geopolitical instability, fluctuations in international markets, or other emergent global pressures will be monitored during the development of the Full Business Case, with consideration given to mitigating potential impacts, particularly in relation to supply chain exposure, long lead procurement items and specialist materials. This will be a collaborative process of review and risk management by the Project Team.

For the OBC, revenue costs have been developed for the options considered and used as an input to the Generic Economic Model (GEM). The model sets out the affordability challenge in

respect of revenue funding associated with delivery of the most economically advantageous Service Option and the requirement for additional revenue support from Scottish government to deliver this model.

To enable the preferred option to progress Capital funding of £202m is required and there is an additional Revenue funding requirement of £6.921m required (£3.372m relating to Capital Charges). There is no identified revenue budget within NHS Highland allocation to support the additional costs identified from any of the proposed options and additional revenue funding would be required.

1.7 The Outline Management Case

The Management Case sets out the project management arrangements which NHS Highland will implement to ensure the organisation is ready to proceed with the preferred option.

NHS Highland have an experienced project delivery team in place, with a track-record in delivering service change solutions and capital investments in community hospitals in Badenoch & Strathspey, Skye, and the National Treatment Centre, Highland in Inverness.

This internal team will be supplemented with expertise from external consultants where appropriate.

Through the development of this OBC, the project team have worked collaboratively with NHS Assure to undertake the Key Stage Assurance Review process, and with Health Facilities Scotland and Architecture & Design Scotland to undertake an NDAP Review. These processes are now ongoing, and will ensure the proposed design is robust, efficient, prioritises patient safety and delivers a high-quality environment which meets the needs of all users
A clear governance structure is in place, with agreed Terms of Reference, and clear routes for escalation. The governance structure will ensure:

- Clear and accountable decision making
- Appropriate and meaningful stakeholder engagement
- Delivery of an effective and efficient service model
- Delivery of a functionally suitable new infrastructure, delivered on time, to budget and to agreed quality standards.

A Programme Board has been set up which is a key link in this governance framework and governs the work of the Infrastructure Delivery Group, and the Service Delivery Group.

Further details are provided in the Management Case.

1.8 Other relevant considerations

A suitable site has been identified for the development of this new hospital. The Blar Mhor site at Caol, Fort William has planning permission in principle for a mixed-use development

(Highland Council planning reference 18/03647/PIP) including housing, community use and a serviced site allocated for:

- a new hospital for Lochaber and the wider West Highland area;
- a science, technical and construction training centre for further and higher education students by West Highland College, part of the University of the Highlands and Islands (UHI). This project is strongly supported by the UHI and by the Scottish Funding Council.

Following a major supermarket pulling out of a planned development at Blar Mhor to the north of Fort William, the site, which had been cleared of peat and is part of a larger mixed-use masterplan, was purchased by the Highland Council in 2015 and 'land banked' for the development of a new hospital and adjacent STEM centre by West Highland College as part of the University of the Highlands and Islands (UHI), including medical training. The remainder of the site is allocated to housing.

The site is located close to Fort William Health Centre, the Scottish Ambulance Station and the police station with excellent links to the A82. Blar Mhor is one of the only level areas for the expansion of Fort William.

The acquisition of this site in partnership with The Highland Council and West Highland College is an economically advantageous opportunity, and provides synergies in place making, and co-location of complementary public sector investments in the Fort William area. Site selection was reviewed and formally confirmed by the Programme Board in January 2022, and funding of £2.1m within the FBC period is requested for the purchase of the site.

Detailed Planning Consent for the new hospital is now in place.

1.9 Conclusion

This Outline Business Case builds on the position outlined at the Initial Agreement and demonstrates the importance of this investment proposal in providing a sustainable healthcare service in Lochaber. The preferred option has been selected following a thorough assessment and comparison of financial and non-financial criteria, and development of detailed workforce planning.

The development of this OBC has wide stakeholder support, within the community, within NHS Highland, and with partner organisations including Highlands and Islands Enterprise, West Highland College UHI (University of the Highlands and Islands), and The Highland Council.

Through working with the project stakeholders, a preferred service solution has been identified which will deliver sustainable, modern, and appropriate services in a remote and rural location, forming a key component of an integrated healthcare system across NHS Highland.

NHS Highland are ready to proceed with this proposal to Full Business Case stage, with established governance arrangements and a project management team in place to deliver this investment.

The conclusion of this OBC demonstrates that the Preferred Option is **'Option 4: Core Rural General Hospital with enhanced Intensive Rehabilitation provision and increased elective activity'** and that an investment in services in Lochaber remains important. NHS Highland recommend that the service change and capital investment associated with this option is further progressed through the development of a Full Business Case.

2 STRATEGIC CASE

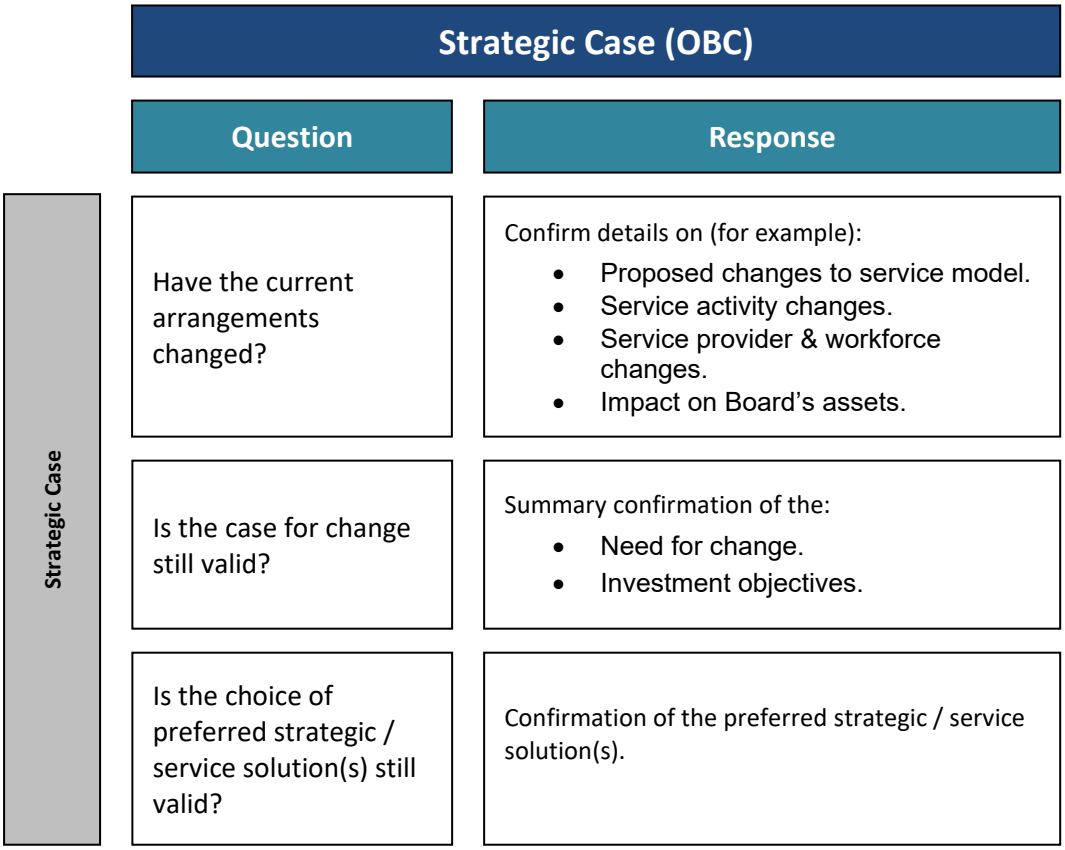


Figure 2-1 Strategic Case content summary

2.1 Introduction

The Initial Agreement, approved in 2022, established a clear case for investment in a new Rural General Hospital for Lochaber, grounded in the need to replace an ageing facility, strengthen the resilience of local services and provide sustainable care for a remote and rural population. That strategic rationale remains valid.

Since approval of the IA, a period has elapsed during which the wider policy, planning and service environment has continued to develop. National frameworks have been introduced that strengthen the emphasis on prevention, community-based care and population-level planning; new sub-national planning arrangements now shape how Boards work together regionally; and NHS Highland has progressed a broad transformation programme affecting urgent care, outpatient pathways, diagnostics and community provision.

Project-specific progress has been achieved. The Blar Mhor site has been formally confirmed, and design development has progressed to the planning application stage, with Planning Consent approved as of 17th June 2026 and available to view on the Highland Council's Planning Portal at 26/00771/MSC. Additionally, further analytical work has enhanced the understanding of the workforce and digital requirements associated with the service model. These developments have provided an opportunity to refresh the underlying assumptions supporting the next stage of business case development.

The Strategic Case therefore reconfirms the continuing need for investment and summarises the material developments since the IA, ensuring that the Outline Business Case reflects the most up-to-date strategic, policy and operational context for the Lochaber redesign.

2.2 Purpose and structure of the OBC Strategic Case

The purpose of the Strategic Case at the Outline Business Case stage is to confirm that the background for selecting the preferred strategic and service solution at the Initial Agreement stage remains valid. In line with the Scottish Capital Investment Manual, this section revisits the strategic context and addresses three questions:

- Have the current arrangements changed in ways that materially affect the project or its assumptions?
- Is the case for change still valid, based on the most up to date evidence?
- Is the choice of preferred strategic and service solution still valid, given developments since the IA?

2.3 Have the current arrangements changed?

	Question	Response
Strategic Context	Have the current arrangements changed?	Confirm details on (for example): • Proposed changes to service model. • Service activity changes. • Service provider & workforce changes. • Impact on Board's assets.

The subsections that follow summarise the key developments since 2022 and confirm the continued relevance of the investment objectives and the preferred strategic direction for the Lochaber Health and Social Care Redesign.

2.4 Current arrangements and confirmation of change status

The current arrangements remain broadly consistent with those described in the Initial Agreement. Belford Hospital continues to provide the core range of Rural General Hospital services for the Lochaber population, including acute medical and surgical emergency care, assessment and stabilisation, inpatient medical treatment, daycase and ambulatory activity, diagnostic imaging, maternity care and outpatient services. These functions continue to operate within an estate that is ageing, functionally constrained and limited in its ability to support modern care pathways, separate planned and emergency flows or accommodate seasonal peaks in demand. Minor changes in service disposition since the IA are outlined in Appendix A. Workforce challenges common to remote and rural services, including

recruitment, retention, and reliance on rotational working arrangements, continue to affect service resilience and remain an important consideration in the development of future service models.

Service distribution between Belford, Raigmore and community-based provision has remained largely unchanged since the IA. Patients requiring specialist, high-acuity, or complex elective treatment continue to travel to Raigmore or other regional centres, while community provision remains subject to the workforce and capacity pressures outlined in the Updated Evidence of Need. No changes have been introduced that alter the baseline service model used for option appraisal, or that materially affect the justification for investment.

In parallel with maintaining current service arrangements, NHS Highland has continued to implement business-as-usual service improvements where feasible within the constraints of the existing estate. These include incremental adjustments to staffing levels to support periods of high demand, refinement of core operating hours and on-call arrangements to improve service sustainability, development of roles within multidisciplinary teams, and ongoing pathway improvements aligned to the emerging clinical model. While these actions support operational resilience and help prepare for future service changes, they remain constrained by the physical limitations of the current facility and do not materially alter the scope or performance of the existing service model.

Further detail on the interface between the Lochaber Redesign and NHS Highland's wider transformation programme is provided in Sections 2.3 and 2.5.4. Collectively, these workstreams have strengthened the strategic case for investment and informed the ongoing development of the service model.

Design Quality Objectives have been reviewed to reflect progress in design development, including the need for improved clinical adjacencies, enhanced digital capability, strengthened infection prevention standards and more flexible space to accommodate varying activity levels. Individual details have evolved at a more granular level, but these objectives remain consistent with the IA and continue to guide the development of the proposed solution.

Since the Initial Agreement, digital ways of working have become more embedded across NHS Highland, with increasing utilisation of virtual consultations, digital communication tools and electronic patient management systems. These developments have informed the design requirements for the new facility and support the continued ambition to deliver care closer to home through a blend of face-to-face and digitally enabled services. While these developments enhance the proposed model of care, they do not alter the underlying strategic case for investment.

Taken together, these elements do not materially alter the baseline service model, capacity assumptions, investment objectives or strategic rationale established at Initial Agreement stage. The evidence reviewed confirms that the preferred strategic direction remains appropriate and that no changes have emerged which would require reconsideration of the options appraisal process or development of alternative strategic solutions.

2.5 Is the case for change still valid?

The Initial Agreement set out a clear case for change based on an ageing and functionally constrained estate, increasing demand on acute and community services, and the need for sustainable models of care for a remote and rural population. It identified significant limitations in the current Belford Hospital infrastructure, challenges in separating planned and unscheduled care, restricted capacity to support modern pathways and operational pressures arising from demographic change, workforce fragility and seasonal fluctuations in demand.

These underlying drivers remain unchanged. Updated evidence on activity levels, flow and delayed discharge, combined with continued workforce and primary care pressures, demonstrates that many of the issues identified in the IA persist and, in several respects, have intensified. The existing facility continues to limit flexibility, clinical adjacencies, digital enablement and future expansion. No developments have occurred that reduce or negate the need for investment.

The investment objectives established at the IA stage therefore remain valid and appropriate. They continue to reflect what is required to deliver sustainable and modern health and social care services for the Lochaber population. The redesign also remains aligned with the wider strategic direction set through new national frameworks, regional planning arrangements, and NHS Highland's transformation programme.

In summary, the case for change set out in the IA not only remains intact but has been strengthened by updated evidence and growing system pressures. The need for a modern Rural General Hospital to ensure safe, sustainable and effective care for Lochaber remains unchanged.

2.6 Changes since the Initial Agreement

Since the approval of the Initial Agreement in 2022, several developments at national, regional, and local levels require the strategic context for the Outline Business Case to be updated. These relate to new national frameworks introduced by the Scottish Government, the implementation of sub-national planning arrangements, progression of NHS Highland's transformation programme, and project-specific developments affecting the Lochaber redesign. This section summarises these changes and sets out their implications for continued progression of the project.

Since submission of the IA there has also been a deterioration in the Board's long term financial position – this is due to a number of factors including, but not limited to, funding uplifts lower than inflation levels, non-pay costs increasing at rates higher than inflation, work force challenges leading to a reliance on supplementary staffing and increasing operational demands.

2.6.1 National strategic frameworks

The planning and design work for the Lochaber redesign began before the publication of the Service Renewal Framework and the Population Health Framework. While full alignment with

these new frameworks is neither expected nor required, the emerging service model and design demonstrate strong consistency with the principles underpinning both.

2.6.1.1 Alignment with the Service Renewal Framework

The SRF sets five organising principles: prevention, people, community, population and digital. Several aspects of the project map directly onto these themes.

- Prevention: The redesign supports earlier identification of need, anticipatory care and models that reduce escalation and unplanned deterioration.
- People: Person-centred design and service pathways reflect care shaped around individual needs rather than organisational boundaries.
- Community: The project increases access to services locally, reduces reliance on higher-acuity settings and strengthens community-based delivery.
- Population: Planning is based on demographic and epidemiological evidence, consistent with population-level needs assessment.
- Digital: Digital tools are embedded in service pathways, supporting efficiency, access and communication.

Although the SRF was published after the IA, the redesign aligns closely with its direction of travel.

2.6.1.2 Alignment with the Population Health Framework

The PHF introduces a ten-year strategic direction built around prevention-focused systems, social and economic drivers, places and communities, enabling healthy living and equitable access.

The redesign reflects these ambitions by:

- Supporting preventative and timely care
- Strengthening community-based interventions
- Improving equity of access for remote and rural populations
- Enabling healthier living through earlier support and reduced risk of crisis
- Contributing to a place-based, integrated system

While not developed as a PHF implementation programme, the redesign remains consistent with the wider system shifts the PHF seeks to achieve.

2.6.1.3 Alignment with the Public Service Reform Strategy

The Public Service Reform Strategy emphasises prevention, joined-up services and efficiency. The redesign aligns with these pillars through:

- earlier access and reduced escalation
- more coordinated, less fragmented pathways
- improved operational efficiency, clearer processes and enhanced use of digital tools

Collectively, these national frameworks reinforce rather than alter the strategic rationale for investment. This is implemented through cooperation with Highland Council and WHC/UHI to maximise opportunities for enhanced Place Making and connectivity across the Blar Mor development.

2.6.2 NHS Scotland and territorial Board strategies

The redesign remains aligned with core NHS Scotland strategies, including the National Clinical Strategy, the National Performance Framework and the NHS Scotland Operating Framework. At a territorial-Board level, the redesign supports NHS Highland's priorities for sustainable urgent and unscheduled care, improved flow, modernised outpatient and diagnostic pathways, and strengthened community-based care. These strategies continue to underpin the need for modern infrastructure and redesigned models of care in Lochaber.

2.6.3 Sub-national planning alignment

In November 2025, the Scottish Government introduced new sub-national planning arrangements through DL(2025)25. Under these arrangements, NHS Boards now plan within two regional groupings to support population-based planning, equity of access and sustainability across wider geographies.

NHS Highland is part of the Scotland West grouping, supported by a Sub-National Planning and Delivery Committee responsible for co-ordinating planning for emergency care, elective performance (including Treatment Time Guarantee compliance), digital platforms and once-for-Scotland business systems. While the new subnational planning structure is still in the establishment phase, the redesign has been developed to meet the needs of the Lochaber population and respond flexibly to any developments anticipated to result from this new regional context, ensuring continued coherence and sustainability of service delivery across Scotland West.

The Outline Business Case was presented to the West of Scotland Sub-National Planning Group on 16th July 2026 and was supported.

2.6.4 NHS Highland Transformation Programme

NHS Highland commenced a major transformation programme in January 2024 to support sustainable, safe and affordable services across the region. The programme includes interlinked workstreams spanning urgent and unscheduled care, adult social care, primary care, community hospitals, mental health, frailty, diagnostics, scheduled care and digital enablement. It is delivered through a portfolio approach that emphasises whole-system working, coordinated improvement and strengthened governance.

The redesign aligns closely with these transformation priorities. It supports urgent and unscheduled care redesign, modernised outpatient and diagnostic pathways, enhanced community capacity to support flow, and a shift towards preventative and integrated models of care. The transformation programme also reinforces wider organisational priorities regarding workforce sustainability, performance improvement and financial resilience.

Delivering services as locally as possible but also ensuring access to specialist services through clear pathways as early as possible that may be in alternative locations across NHS Scotland

2.6.5 Workforce modelling and service-delivery implications

Since the development of the Initial Agreement, significant analysis has been undertaken to refine the workforce assumptions underpinning the service options for the Lochaber redesign. A key output from this work has been differentiating between workforce changes that are part of NHS Highland's broader service-improvement agenda – such as pathway redesign, multidisciplinary team working and community-based care – and those that arise specifically from the introduction of a new facility. The former would be required irrespective of capital investment; the latter relates directly to the improved clinical adjacencies, increased procedural capacity, enhanced flows and modernised ward layouts that a new RGH would enable.

A comprehensive workforce planning paper, summarising the methodology, assumptions and findings, has been developed and is included for review in Appendix 11.

2.6.6 Digital service delivery and infrastructure requirements

Digital service delivery has continued to evolve across NHS Highland since the IA. Near Me is now routinely used across outpatient pathways, and Patient Hub has been introduced to strengthen communication, waiting list validation and appointment management. These developments elevate expectations regarding hybrid pathways and digital-supported care.

The hospital design now incorporates requirements for resilient digital connectivity, integrated systems, video-enabled clinical rooms, digital diagnostics and streamlined administrative workflows. These refinements deepen – but do not alter – the IA's service model and ensure that the new facility is equipped to support digitally enabled care.

2.6.7 Partnership Arrangements and Local Context

NHS Highland continue to work closely with local partners to strengthen our combined impact as anchor institutions and ensure local plans are considered and developed in the context of the proposed new hospital and associated service improvements. Key points of collaboration include:

- Engagement with the Fort William 2040 development group led by the Highland Council which seeks to develop a shared vision for the future of Fort William, including regeneration and transport developments, including through a specific Transport Subgroup.
- Membership of the Lochaber Community Planning Partnership, which brings together public sector partners, third sector and local agencies to improve service delivery and address community needs across the region.
- Working with Highland Council to review Adult Health and Social Care Integration across Highland, which could result in a change from the current Lead Agency Model to a Body Corporate Model and establishment of an Integration Joint Board in line with other health and social care partnerships across Scotland. Community engagement is planned to commence in May 2026. This is being run in parallel with a Highland Council led initiative, Conversations about Care, which seeks to build on the experience of social care clients, families, cares and workforce to improve adult social care.

The proposed arrangements take account of and align with the above.

2.7 Updated Evidence of Need

2.7.1 Overview

Lochaber's health and social care system continues to face pressures that affect the resilience of current service models and reinforce the case for investment first set out in the Initial Agreement. These include sustained elective and unscheduled care activity across NHS Highland, pressures within primary care and adult social care, demographic change, and longstanding challenges associated with remote and rural service delivery. The subsections below summarise the updated evidence relevant to the Outline Business Case, with detailed data provided in the supporting appendices.

2.7.2 Elective care pressures

NHS Highland continues to experience system-wide pressure across elective services, with increasing waiting lists and persistent long waits across several surgical and medical specialties. National elective recovery actions remain in place, including the introduction of Patient Hub in early 2026 to improve scheduling, communication, and waiting list validation. National validation activity that commenced in January 2025 has initially targeted general surgery and upper gastrointestinal pathways.

For Lochaber, these Board-level pressures compound the longstanding constraints of the Belford estate. The current configuration limits local day-case and ambulatory elective throughput, restricts the ability to separate planned and unscheduled care pathways, and offers limited adjacency between theatres, endoscopy and day-treatment areas. As a result, a significant proportion of elective care continues to require travel to Raigmore. The updated elective performance context therefore reinforces the IA conclusion that a modernised local facility is required to support day-case and short-stay elective activity.

2.7.3 Unscheduled care pressures / Emergency Department performance

The Belford Emergency Department (ED) receives approximately 10,000 attendances each year, with marked seasonal variation associated with tourism. Around 80 per cent of attendances relate to minor injuries or conditions that do not require admission. The current ED footprint is limited and does not consistently support modern pathways such as Same Day Emergency Care (SDEC), nor does it provide sufficient flexibility to accommodate peak demand. There are additional challenges in managing patients with acute psychiatric needs in the absence of a dedicated Place of Safety.

These local pressures sit within the wider context of unscheduled care demand across NHS Highland, including system-wide pressure on flow, delayed discharges and bed occupancy. Estate limitations at Belford further constrain the hospital's ability to admit, stabilise and discharge patients efficiently. A redesigned ED with dedicated minor-injuries capacity and improved integration with acute assessment, SDEC and short-stay beds would better support safe and timely flow. Board-level ED performance data is available and can be provided on request.

2.7.4 Activity, Flow and Capacity

A refreshed activity and flow review has confirmed that overall attendance, admission and inpatient activity levels in Belford remain broadly consistent with those observed at the IA stage, with no material shifts that require a change in the underlying capacity assumptions.

The updated analysis, however, indicates an increase in average length of stay and a rise in delayed discharges, reflecting wider system pressures across NHS Highland. These factors have contributed to higher occupancy levels, more challenging patient flow conditions and increased reliance on surge beds within the existing estate. These patterns highlight the limitations of the current configuration and reinforce the need for a modern facility capable of supporting improved flow, separating surgical and medical pathways, and reducing avoidable delays.

Demand modelling demonstrates that the proposed bed compliment of 38 inpatient beds (an increase of four beds over the existing Belford hospital) will be required and utilised. Capacity has been deliberately sized to operate at safe occupancy levels (80–85%) rather than full occupancy, ensuring resilience to seasonal variation, demographic growth, emergency pressures and patient flow requirements. The requirement for all proposed beds is further supported by current occupancy trends, which on can exceed the levels assumed within the model, however demand will be mitigated by the implementation of Same Day Emergency Care (SDEC) and Intensive Rehabilitation to further reduce hospital admissions. The proposed model adopts reduced length of stay assumptions on this basis, capping assessment stays at 2 days and targeting acute inpatient stays of 10 days or less. This approach reduces overall bed requirements while enabling improved patient flow and faster throughput. The deliberate shift towards same-day and community-based care, with increased utilisation of Ambulatory Emergency Care (AEC) and Same Day Emergency Care (SDEC) collectively supports more timely assessment and treatment, minimises unnecessary admissions, and enhances system capacity without a proportional increase in physical infrastructure. Summarised Activity Data is available in Appendix 19.

2.7.5 Community Health and Care Services in Lochaber

There have been minor changes to community services available in the Lochaber region since the approval of the project IA.

In late 2024, the planned closure of Moss Park Care Home would have resulted in the loss of the largest of the area's two nursing homes. A jointly led intervention by NHS Highland and The Highland Council secured continuity of provision, with Highland Council purchasing the home and NHS Highland assuming operational responsibility from April 2025. This arrangement has been publicly described as a medium-term solution while longer-term sustainable models of care in Lochaber are developed.

Recent reporting to Highland Council confirms that the Highland Health and Social Care Partnership is progressing a pan-Highland Adult Social Care commissioning strategy informed by the Joint Strategic Needs Assessment and activity data. A data model is being developed to support understanding of future adult social care needs and to guide commissioning intentions. Engagement with communities in Lochaber on adult social care transformation,

including community-led support, local care models and self-directed support, is planned to begin through the Community Planning Partnership.

The Partnership has indicated that services at Moss Park are expected to continue for two to three years while alternative models of provision are established. It is anticipated that the Care Inspectorate will expect an alternative to the current Moss Park arrangement to be put in place by March 2028.

A masterplan is being developed for the Blar Mhor site in Fort William, adjacent to the proposed new Belford Hospital. This work, led jointly by Highland Council and NHS Highland, will examine options linking acute hospital provision with community health and adult social care services, including supported accommodation and related infrastructure. The Masterplan will be informed by the Joint Strategic Needs Assessment and the Adult Social Care Commissioning Strategy and will test the suitability of the site for future care models, including potential housing solutions for people requiring enhanced levels of support and for key workers.

2.7.6 Demography and projections (including NRS 2022-based HB-level updates)

Updated demographic data from the National Records of Scotland continues to show a sustained ageing pattern across Highland. Mid-2024 estimates indicate modest overall population growth driven by inward migration and a continued increase in older age cohorts, with the 75-and-over population having grown by more than 78 per cent since 2001.

NRS has now published 2022-based projections at the Health Board level. These confirm the long-term trend of rising older-age populations and declining working-age populations, consistent with the trajectory described in the IA using 2018-based projections. Locality-level projections for Lochaber are not yet available on a 2022 Census basis; however, the Highland-level trends reinforce expectations of increasing demand for rehabilitation, frailty-related care, community support and residential capacity, alongside growing workforce challenges across acute, community and social care settings.

These demographic trends strengthen the strategic requirement for sustainable service provision in Lochaber and are consistent with the IA's conclusions. Updated projections are provided in Appendices 17 & 18.

2.8 Investment objectives

The investment objectives outlined in the Initial Agreement were developed through a comprehensive assessment of service need and extensive engagement with clinical, operational and community stakeholders. They remain fully valid and continue to provide a robust framework for guiding the design, appraisal and delivery of the Lochaber Health and Social Care Redesign. These objectives are:

- To deliver Rural General Hospital services locally wherever possible and adapt to the unique and changing needs of the population in the remote and rural locality of Lochaber.

- To develop a sustainable RGH service that optimises the skills of the local workforce, improves recruitment and retention, and offers enhanced opportunities for training, including planned collaboration with other agencies.

- To maximise opportunities to use current and future healthcare technology and innovation, ensuring digital tools and modern diagnostic and treatment approaches support patients and staff.

- To provide a modern, flexible healthcare facility that supports the delivery of a 21st-century RGH model of care focused on patients and families.

- To minimise environmental impact and support Scottish Government climate-change commitments through sustainable service models and infrastructure.

Since the Initial Agreement was approved in 2022, several developments have taken place at both national and local levels. Far from necessitating changes to the investment objectives, these developments reinforce their continued relevance. The objectives set out in the IA align closely with the themes of the new policy frameworks and continue to provide a consistent basis for service planning and design.

Taken together, these developments confirm that the investment objectives set out at IA stage remain appropriate and continue to reflect the outcomes the redesign must achieve. They provide a consistent foundation for the development of service models and design proposals and continue to articulate the long-term direction required to deliver safe, sustainable and modern health and social care services for the Lochaber population.

2.9 Updated Benefits register

Further work has been undertaken since the Initial Agreement to refine the understanding of the benefits associated with the Lochaber Health and Social Care Redesign. This includes analysis completed alongside the options appraisal process and additional external assessment of potential economic and wellbeing impacts. Together, this work has strengthened the articulation of how redesigned pathways, improved infrastructure and increased local service provision can deliver better outcomes for patients, staff, the NHS and the wider community.

The work undertaken during 2025 and early 2026 has confirmed that expanding the scope and resilience of local services is consistently associated with improvements in patient access, reduced travel burden, enhanced experience of care and strengthened workforce sustainability. These themes align with the benefit categories originally identified at IA stage and continue to reflect the strategic aims of the redesign. The refreshed benefits work has also ensured that benefit statements are clearly grounded in clinically deliverable service models, realistic activity assumptions, and the workforce and infrastructure requirements underpinning each option.

External economic and wellbeing analysis undertaken during OBC development (Appendix 9) provides a complementary perspective on the wider impacts of expanding local provision.

While the findings depend on a set of scenario-specific assumptions, the overall direction is consistent with the qualitative benefits framework established through the options appraisal process. The analysis reinforces the conclusion that modern facilities, reduced travel requirements and improved local access contribute positively to wellbeing, local economic activity and system efficiency.

The Strategic Case therefore confirms that the high-level benefit categories established in the Initial Agreement remain valid, and that the work undertaken during OBC preparation has strengthened understanding of how these benefits may differ across the service options. A fully quantified and option-specific assessment of benefits will be presented within the Economic Case, using consistent assumptions and standard appraisal methods.

The updated Benefits Register (Appendix 16) provides the foundation for ongoing benefits management and realisation. Arrangements for monitoring progress against baseline measures, reporting benefit performance and embedding benefits within routine performance management processes are described within the Management Case (Section 6.3).

2.10 Updated constraints and dependencies

Constraints and dependencies remain central to understanding the deliverability and long-term sustainability of the Lochaber redesign. Work undertaken since the Initial Agreement, including workforce modelling, transport assessment, design development and alignment with NHS Highland's transformation programme, has provided a clearer view of the conditions that shape what can be delivered and the enabling actions required. The tables below summarise the key constraints and dependencies. The accompanying short narratives highlight the themes that have become more significant since the IA.

2.10.1 Constraints

The constraints relevant to the Lochaber redesign fall into three broad areas. The first relates to workforce availability across acute, diagnostic, theatre, AHP and community services. Workforce remains a key consideration for all remote and rural services and continues to be managed through established service-planning, recruitment and role-development activity. These constraints are exacerbated by the availability of housing locally for the workforce.

The second theme relates to infrastructure and access. The A82 continues to function as the single strategic route serving Lochaber, and public transport provision remains limited. These factors do not prevent delivery of the proposed service model but continue to shape access planning and operational assumptions. An Integrated Transport Plan is in development for Fort William, led by HiTrans, and NHS Highland are engaged with both HiTrans and the FW2040 Transport subgroup to ensure the new hospital location is considered in future transport planning. Compliance with NHS Scotland technical and sustainability standards also continues to define the parameters for design development. Confirmation of the Blar Mhor site has clarified the spatial envelope for the new facility, providing certainty around the layout, access arrangements and construction planning.

The third area concerns programme and statutory considerations. The SCIM process and associated planning and regulatory requirements continue to set the sequencing, assurance expectations and decision-making stages for the project. These procedural parameters provide the framework within which the project must proceed.

Taken together, these constraints define the context within which the redesign will be delivered. They do not alter the strategic rationale for investment or the feasibility of the proposed service model but provide the boundaries within which the design and implementation will continue to be developed.

2.10.2 Dependencies

Delivery of the redesigned service model depends on several ongoing system enablers. The first relates to cross-site workforce arrangements. As with all remote and rural hospital services, continued coordination between Lochaber and Raigmore remains important to support specialist input, rotational arrangements and sustainable clinical pathways. Further links exist with Lorn & Isles Hospital in Oban and to sites on Skye. These arrangements are already well established within NHS Highland and will continue to be refined as part of wider workforce planning activity.

Workforce sustainability remains dependent not only on successful recruitment and retention initiatives, but also on the availability of suitable local accommodation for staff, trainees and rotational workforce arrangements. NHS Highland have continued to work with partner organisations to identify accommodation solutions to replace and augment accommodation currently within Belford Hospital to support workforce attraction and retention in the Lochaber area.

A second theme concerns the interface with community-based services. Continued development of multidisciplinary working, rehabilitation pathways and Same Day Emergency Care is expected to improve flow and reduce delays, and these approaches are already embedded within NHS Highland's broader transformation programme. Community capacity remains an important part of the whole system, and this programme assumes continued incremental improvement consistent with existing plans and commissioning activity.

Digital enablement remains an essential dependency, reflecting the increasing use of hybrid outpatient pathways and digital-supported processes. Requirements for interoperability and resilient connectivity are already being considered within the design.

The redesign also relies on routine engagement with key partners, including transport providers, planning authorities and utility companies, to ensure alignment of access arrangements, regulatory approvals and site servicing requirements. These dependencies are typical for a capital project of this scale and sit within established processes that support design development and commissioning.

A further dependency relates to securing the revenue funding required to support the preferred service model. While the strategic and economic cases demonstrate the benefits of enhanced local provision, implementation of the full service model is contingent upon securing the recurring revenue resource required to operate the facility and deliver the planned service improvements as set out in the Financial Case.

The wider health and social care environment will continue to evolve during the development and implementation of the project. The proposed service model and hospital design have therefore been developed with sufficient flexibility to respond to future developments in regional planning arrangements, social care integration, digital innovation and changes in population need without undermining the core strategic objectives of the investment.

Taken together, these dependencies describe the wider system context within which the redesigned service model will operate. None materially alters the feasibility or desirability of the proposed solution, and each aligns with established organisational plans and ongoing transformation activity.

2.11 Is the choice of preferred strategic solution still valid?

The Initial Agreement identified Options 3 and 4 as the preferred strategic directions for further exploration at the Outline Business Case stage. Both options represent enhanced Rural General Hospital models with strengthened local provision and improved clinical adjacencies, and both were assessed as capable of delivering the investment objectives and addressing the long-standing estate and service constraints at Belford Hospital. The underlying infrastructure required to support Options 2, 3 and 4 is the same, and design development has progressed on this basis.

Nothing that has changed since the publication of the IA alters the strategic validity of these options. Updated evidence on activity, flow, delayed discharge, demographic change, primary and community care pressures, and workforce fragility indicates that the drivers for change remain as strong as at the IA stage and, in some areas, have intensified. The progression of the national policy environment, regional planning arrangements, and NHS Highland's transformation programme has reinforced rather than weakened the rationale for the proposed, more resilient, RGH service model in Lochaber.

The non-financial benefits appraisal undertaken in February 2026 provides further confirmation that the strategic direction set at the IA stage remains appropriate. The assessment shows a clear and consistent ordering of the shortlisted service options. Option 4 received the highest weighted non-financial benefit score, followed by Options 3 and 2 in that order, with a marked separation between these and the remaining options. Sensitivity testing confirmed that this ordering remained stable under all tested variations and was consistent across stakeholder subgroups.

The Lochaber Redesign Programme Board ratified the recommendation of Option 4 as the preferred option, based on the combined assessment of financial and non-financial costs and benefits.

This decision has been informed by the Economic Case, which considers value-for-money through a non-financial assessment, capital and revenue cost estimates, whole-life costing, and risk analysis. The updated Strategic Case evidence and the results of the non-financial appraisal, supports the preferred strategic direction identified at IA stage as being the most practical, and effective option by comparison to the alternative options.

On this basis, the preferred strategic and service solution set out in the Initial Agreement remains valid. The detailed assessment of Options is presented within the Economic Case, and a recommendation is made for progression to Full Business Case stage.

2.12 Strategic Case conclusion

The Initial Agreement presented a clear and evidence-based case for investment in a new Rural General Hospital for Lochaber. The work undertaken since then, together with developments in national policy, regional planning arrangements and local service transformation, has provided an opportunity to refresh the underlying assumptions and reconfirm the strategic direction of the redesign. This updated review demonstrates that the fundamental rationale for change remains valid.

The new national frameworks published since the IA continue to emphasise prevention, integrated community-based care, digital enablement and population-level planning. These priorities are consistent with the aims of the redesign and reinforce the need for modern, flexible infrastructure that supports sustainable models of care. The introduction of sub-national planning arrangements strengthens the emphasis on regionally coherent pathways and collaborative approaches to capacity and workforce planning. NHS Highland's transformation programme likewise places a stronger focus on urgent and unscheduled care redesign, outpatient modernisation, diagnostics reform and community-based support, all of which align with the intended service improvements for Lochaber.

Local project-specific developments further support the case for investment. The Blar Mhor site has been confirmed, design development has progressed to planning application stage, and detailed workforce modelling has been completed to clarify the requirements associated with each service option. Updated analysis on activity, demographic change, flow, delayed discharge, and primary and community care resilience confirms that existing pressures persist and, in several respects, have intensified. Digital expectations across NHS Highland have also evolved, strengthening the need for a facility designed to support contemporary and future models of care.

Taken together, these developments confirm that the strategic rationale underpinning the IA not only remains valid but has been strengthened by the evidence reviewed during the preparation of the OBC. There continues to be a clear requirement for facilities and service models that respond to demographic pressures, meet remote and rural care needs, support sustainable workforce arrangements and improve access for the local population. The Strategic Case therefore provides a solid foundation for the Economic, Commercial, Financial and Management Cases and supports progression of the Lochaber Health and Social Care Redesign through the business case process.

3 ECONOMIC CASE

Economic Appraisal	
Key Steps	**Guidance and Resources**
Identify a short-list of implementation options	• Section 6 of this OBC guide
Identify and quantify monetary costs and benefits of options	• Section 7 of this OBC guide. • Section 3 of Option Appraisal Guidance
Estimate non-monetary costs and benefits	• Section 8 of this OBC guide • Section 4 of Option Appraisal Guidance • Appendix 2 of Option Appraisal Guidance
Calculate Net Present Value of options	• Section 9 of this OBC guide • Section 5 of Option Appraisal Guidance • Generic Economic Model (see SCIM website)
Present appraisal results	• Sections 10 & 11 of this OBC guide • Section 6 of Option Appraisal Guidance

Figure 3-1 Economic Case content summary

3.1 Economic Case

The purpose of the Economic Case is to undertake a detailed analysis of the costs, benefits and risks of a short list of options, including a Do Nothing / Business as Usual option, for implementing the preferred strategic / service solution(s) identified within the Initial Agreement.

The objective is to demonstrate the relative value for money of the chosen option in delivering the required outcomes and services.

This Economic Case will seek to confirm the value for money of the option for implementing the preferred strategic / service option(s) identified at Initial Agreement stage. The options identified for further consideration were:

- Option 3: Core Rural General Hospital with enhanced intensive rehabilitation provision.
- Option 4: Core Rural General Hospital with enhanced intensive rehabilitation provision and increased elective activity.

Following discussion with Scottish Government (Health and Social Care Directorate) and in light of the evolution of the policy context since IA, additional Options 2, 4a and 5 were also formally appraised.

3.2 Overview

The options identified at the Initial Agreements stage have been further developed and expanded, resulting in a total of seven workforce and service model options. These are detailed in the table below:

Option	Descriptor
Option 1: Do Nothing	Maintain existing arrangements for the delivery of Rural General Hospital services in Lochaber. The assumption would be that demographic changes would drive demand growth (particularly in older age groups), but that the model of care would remain the same as presently delivered, with ongoing Business-As-Usual service improvement where possible.
Option 2: Core Rural General Hospital	This model focuses service provision within the proposed new development on the scope and range of services defined by clinical and operational colleagues in February 2022 and agreed across multiple RGHs within NHS Highland. It provides a range of ambulatory and inpatient services in a new RGH environment, complemented by community-based services delivered locally, with access to specialist acute services for residents hosted by Raigmore or, where clinically appropriate, by a tertiary centre in the central belt.
Option 3: Core Rural General Hospital with enhanced Intensive Rehabilitation provision	This option recognises local challenges in supporting the Health and Care system and builds on Option 2. Services will be designed to improve and support system-wide flow reflecting the unique challenges of delivering services in a rural geography. The focus will be on supporting patients' transition from hospital to home or a homely setting, with intensive rehabilitation input for complex rehabilitation pathways. Services will be designed to support patients who live locally to return home more quickly, and to support their continued improvement and reablement until their goals are achieved.
Option 4: Option 3 with increased elective activity, including	This option builds on the scope of services outlined in Option 3 by further broadening surgical and outpatient services in Lochaber, thereby reducing the need for travel to and activity on the Raigmore site. This option would aim to optimise the number of patients able to access treatment locally. Optimisation of operational processes for scheduling planned treatments should ensure that where local delivery is possible, patients are made aware of this choice.

Option 4a: As Option 4 but limited to day-case surgery only	In the context of considerations within the Board-wide NHSH Strategic Transformation programme, this option seeks to maintain specialist skills in surgical interventions locally in Lochaber and to ensure rapid access to more complex general surgical services requiring an inpatient admission in an appropriate alternative setting. Local surgical services in the RGH would operate under a comprehensive elective day case model.
Option 5: Ambulatory care services only	This option envisages a radical redesign of local services and a shift away from the RGH core services described in Option 2. It would do so by developing an ambulatory care centre in Lochaber, maximising services that can be delivered locally in community and ambulatory care settings. This option seeks to provide outpatient, minor injuries, and ambulatory care facilities, such as renal dialysis, chemotherapy, and medical investigations and day case surgery and endoscopy, locally in a new development. This will be supported by an optimised set of community and primary care-based services, in alignment with only the ambulatory aspects of the RGH core clinical model in option 2. This model would shift any acute-based inpatient services from Lochaber to the Raigmore hospital campus in Inverness or to Lorn and Islands hospital in Oban.

Figure 3-2: Option summary table

A more detailed table is included in Appendix 2 which outlines the clinical services aligned with each option.

3.3 Options: Advantages and Disadvantages

Option 1: Do Nothing	
Advantages	**Disadvantages**
• Public familiarity with the current service configuration and hospital layout • Minimal environmental impact in terms of new embodied carbon, as no new construction	• Inability to deliver new and efficient models of care due to capacity constraints and a greater need for out-of-area support • More limited ability to reduce number of patients requiring travel to Raigmore for treatment • Maintains pressure on busy Raigmore site for service delivery • Continued inappropriate use of ward accommodation to deliver ambulatory care • Existing infrastructure does not provide the scope or flexibility to implement service improvements • Continued poor privacy and dignity for patients • Limited ability to provide an appropriate 'Place of Safety' for people in crisis • Difficulty maintaining infection prevention and control standards due to lack of single rooms and ensuite facilities • Inability to separate staff, patient, visitor and facilities management flows • Likely to experience service disruption due to aged/ failing infrastructure • Risk of building failure at an unknown point, jeopardising ability to deliver services

	• Ongoing difficulties with staff recruitment and retention • Negative impact on staff morale • Failure to meet public expectations for improved hospital infrastructure • Hospital location distant from Health Centre, limits collaboration and wastes staff time moving from one to another • Poor ability to support Scottish Government climate change targets through high levels of operational carbon over lifetime
Option 2: Core RGH Model	
Advantages	**Disadvantages**
• Improved patient experience, satisfaction and outcomes • Increased capacity to deliver planned ambulatory care such as outpatient dialysis, Systemic Anti-Cancer Therapy (SACT), and infusions • Inpatient environment not disrupted by ambulatory care activity • 100% single rooms improve privacy, dignity and the potential to reduce hospital acquired infections. This simplifies operational management and reduces patient moves. • Implementation of a Same Day Emergency Care (SDEC) model reduces hospital Admissions, which: - Delivers significant efficiency benefits - Enables improved patient flow and faster throughput - Supports more timely assessment and treatment - Minimises unnecessary admissions - Enhances system capacity without a proportional increase in physical infrastructure and bed numbers. • Ability to optimise the environment for people in crisis – Place of Safety • Enables some reduction in the need to travel to Raigmore Hospital for services • Future workforce model reduces reliance on locum/agency staffing • Improved recruitment and retention, and staff morale • Provision of new facilities in accommodation that is flexible and easily reconfigured for future service change • Improved separation of staff, patient, visitor and facilities management flows	• Construction means localised environmental impact, and increase in embodied carbon

• Proximity of proposed hospital location to the health centre helps promote collaborative working and minimises staff travel between the two sites • Future-proofs ability to respond to changes in demand • Improved ability to support Scottish Government climate change targets through lower levels of operational carbon over the lifetime of the building	
Option 3: Core Rural General Hospital + Intensive Rehabilitation	
Advantages	**Disadvantages**
As Option 2 • Introduction of dedicated inpatient and day-case rehab services by embedding intensive rehabilitation model: - Enables earlier discharge - Reduces pressure on acute beds - Supports return to home or homely settings more quickly - Accommodates increased future demand • Rehabilitation patients' condition is functionally optimised, improving self confidence and enhancing the potential for discharge to home • Overall potential to reduce the length of hospital stay and enable independence Enhances multi-disciplinary team and multi-agency working • Potential for improved job satisfaction for Therapy and Healthcare Support workers, with staff working to the top of their licence.	• Ability to implement a sustainable workforce model to deliver the intensive rehabilitation model is challenging – note national workforce pressures • Construction means localised environmental impact, and increase in embodied carbon
Option 4: Option 3, + Increased Elective Activity	
Advantages	**Disadvantages**
As Option 3 • Reduction in patient travel • Potential to strengthen pan-Highland staff networking and co-ordination of service provision • Improved access and waiting time performance for NHS Highland • Capacity offers the potential to broaden the range of specialties delivered locally including: - approximately 490 retinal eye injections for Lochaber patients currently delivered at NTC-H in Inverness, reducing patient travel by	• Continued risk of disruption from emergency surgical activity in the inpatient environment • Elective activity may be disrupted by emergency activity in theatre • Reliance on Raigmore based clinicians' job planning and Raigmore recruitment • Construction means localised environmental impact, and increase in embodied carbon

delivering care closer to home and releasing physical capacity at NTC for alternative activity (represents 7% of total NTC activity for this procedure); - approximately 210 elective daycase surgery procedures, reducing patient travel and delivering low complexity activity closer to home, representing 18% of the Lochaber origin elective activity currently delivered at Raigmore. This would represent a 43% increase in Belford core planned or additional activity and 3% reduction in activity at Raigmore. Depending on planning decisions this gives opportunity for additionality at Raigmore or potential cost savings.	
Option 4a: as Option 4, limited to elective day case surgery	
Advantages	**Disadvantages**
• All Option 4 • Day surgery not impacted by emergency activity i.e. reduction in cancellations • Patients requiring inpatient-based surgery access specialist care directly • Improves the ability to recruit (nursing) by removing the need for out of hours working • Surgeons not required to undertake infrequent emergency procedures in pressurised circumstances • Clearer pathways for patients requiring complex surgical interventions.	• Increased requirement for small numbers of patients to travel for inpatient and emergency surgery • Increased demand on SAS • More travel for some visitors and families • May extend the time until surgery for very limited number of patients • Construction means localised environmental impact, and increase in embodied carbon
Option 5: Ambulatory care services only	
Advantages	**Disadvantages**
• Reduced requirement to recruit and retain specialist staff in Lochaber • Focus of clinical model on ambulatory care • Potential to create more efficient, high-quality day surgery and ambulatory services • impact, and increase in embodied carbon	No longer appropriate as Place of Safety, impacting residents, police and SAS partners • More travel for patients and families for inpatient treatment and care • More travel for Scottish Ambulance Service •Reduced breadth of experience opportunities for Resident doctors • Reduced employment opportunities for staff • Patient and public expectations unmet • Increases pressure on Raigmore and/or other NHSH hospitals for service delivery • Construction means localised environmental impact, and increase in embodied carbon

Figure 3-3: Options Advantages and Disadvantages summary table

3.4 Non-Financial Benefits

Non-financial benefits were assessed first through a structured, weighted scoring process to understand how well each option delivers the agreed clinical, workforce, patient experience and strategic objectives, without cost influencing judgement at that stage.

The weighted scoring exercise undertaken on 24th February 2026 produced a clear ordering of the six shortlisted options.

Sensitivity testing was undertaken to assess the robustness of the weighted results, covering three areas:

- Removal of the highest weighted criteria
- Application of equal weights across all criteria
- Marginal score change testing

Findings of the sensitivity testing confirmed that the non-financial benefits scoring was robust, with Option 4 remaining the highest ranking under all test scenarios. The outcome is the assessment is noted in Appendix 2 and summarised below.

Benefit Criteria		Weight %
1	Patient Care Experience	15.3
2	Improved clinical effectiveness and 21st Century RGH Care	14.6
3	The workforce model is sustainable in the medium to long-term	13.8
4	Function and quality of the physical environment	12.4
5	Supports optimal whole system working	11.8
6	Supports workforce needs from an employee and employer perspective	11.2
7	Capacity and flexibility to meet anticipated service demand	10.7
8	Environmental Impact and Climate Change	10.1
Total		**100**

Figure 3-4: Weighted Benefits Criteria

	Option 1: Do Nothing	Option 2: RGH core	Option 3: RGH Core with Intensive Rehab (IR)	Option 4: as Option 3 with enhanced elective activity	Option 4a: as Option 4 but limited to Day Case surgery only	Option 5: ambulatory care centre
Weighted Score	288.7	683.2	730.6	756.6	633.7	397.0
Rank	**6**	**3**	**2**	**1**	**4**	**5**

Figure 3-5: Weighted Scores and Ranking

3.5 Indicative Costs

3.5.1 Indicative Costs

Table 3.6 below provides high-level indicative cost range for a new build hospital which would accommodate each of the Proposed Solutions.

Indicative Cost Implications	Option 1: Do Nothing	Option 2: RGH core	Option 3: RGH Core with Intensive Rehab (IR)	Option 4: as Option 3 with enhanced elective activity	Option 4a: as Option 4 but limited to Day Case surgery only	Option 5: ambulatory care centre
Initial Capital Cost Implications (£m)						
Professional Fees and NHS Project Team Fees	1.748	11.697	11.697	11.697	11.697	3.785
Construction	17.485	121.573	121.573	121.573	121.573	74.165
Equipment - Group 2 + 3 Client Direct	2.623	5.337	5.337	5.337	5.337	3.100
Land Purchase	-	2.100	2.100	2.100	2.100	2.100
Optimism Bias	6.557	16.082	16.082	16.082	16.082	9.219
Transitional Period Costs	-	0.410	0.410	0.410	0.410	0.410
Costs of Embedded Accommodation	-	-	-	-	-	-
Total of Initial Capital Cost Implications	**28.413**	**157.199**	**157.199**	**157.199**	**157.199**	**92.780**
Revenue Cost Implications						
Life Cycle Costs (average)	23.306	31.475	31.475	31.475	31.475	18.284
Clinical Service Costs	2,209.746	2,263.631	2,274.580	2,292.222	2,287.319	2,348.289
Non-clinical Support Service Costs	86.412	113.988	113.988	113.988	113.988	66.562
Estimated Running Costs (life)	18.498	21.131	21.131	21.131	21.131	18.735
Net Income Contribution	-	-	-	-	-	-
Revenue Costs of Embedded Accommodation	-	-	-	-	-	-
Displacement Costs	-	-	-	-	-	-
Total revenue cost implications (60 years)	**2,337.961**	**2,400.016**	**2,441.173**	**2,458.816**	**2,453.913**	**2,454.266**

Figure 3-6: Indicative costs table

Costs relate to the provision of a new build hospital on the Blar Mhor site in Fort William, as this is the preferred solution to facilitate the preferred service change solution.

The Blar Mhor is the optimal location for a new hospital in Fort William as it is the only development site which can accommodate a development of this scale, and the site is adjacent to the health centre, the ambulance base, the police station, and new housing developments. The site is already part of public transport and green travel routes and is also the proposed location for development of a STEM Centre by West Highland College/UHI which will provide opportunities for collaborative working with NHS Highland.

Capital Costs in table 3.6 above include construction costs, professional fees, other construction related costs, optimism bias, design risk and equipment, as detailed in Appendix 4. Construction costs are based on estimated prices as at 1ST Quarter 2026 (the base date). In addition to construction costs £2.1m is included in options 2 to 5 reflecting the requirement to purchase land for the build.

For the purposes of Economic Appraisal and in line with Scottish Capital Investment Manual and HM Treasury Green Book requirements, construction costs exclude VAT and inflation. Full costs, including VAT and Inflation, are detailed in the Financial Case.

Construction costs for the proposed solutions have been developed on behalf of NHS Highland by Thomson Gray, Construction Consultants, based on their experience of similar projects. Construction costs are based on the Schedule of Accommodation developed by the PSCP (and their design team) through the OBC and RIBA Stage 3 Design process.

Thomson Gray have also provided initial lifecycle costs based on rates per m2. Costs for equipment have been included.

Revenue costs were developed by NHS Highland Finance Department and include Pay and Non Pay Costs, Non-clinical service costs (e.g. maintenance) and estimated running costs (e.g. energy) over a 60 year period. An allowance is also made for Transition period costs such as training and relocation expenses.

Opportunity Costs were not considered within the model at this stage but will be further explored at Full Business Case following further definition of the impact of proposed changes on an NHS Highland-wide basis. As opportunity costs are likely to be highest for Option 4, this is not anticipated to alter the preferred option.

As the project progresses and detailed designs are developed through RIBA Stage 4, the capital and revenue costs will continue to be reviewed and refined.

3.5.2 Optimism Bias

The Project Team followed HM Treasury Green Book guidance and the Risk Management Guide in the Scottish Capital Investment Manual to determine the level of Optimism Bias that should be applied to the Proposed Solution, based on each of the proposed solutions requiring a new build hospital.

The upper bound percentage was calculated be determining the build complexity, location, scope of the scheme and changes to service delivery. The team then worked through an assessment of the mitigation already carried out based on experience of previous projects to determine the mitigation factor to be applied to the upper bound percentage. The resulting Optimism Bias rate is summarised in the table below.

Description	Proposed Solution
Upper Bound %	39.5%
Mitigation Factor	39.24%
Optimism Bias	**15.5%**

Figure 3-7: Optimism Bias

Optimism bias in respect of programme duration is calculated at 3 months, which could be accommodated by condensing the handover period if required.

As the project progresses and detailed designs are developed, the level of optimism bias applied to the preferred solution will be reviewed and considered against the level of quantified risk that can be established. The expectation is that the more risks that can be quantified, the level of optimism bias will reduce. Future reviews of optimism bias will also take account of any inflationary increases beyond those already included.

3.6 Assessment of options

The Generic Economic Model (GEM) was used to support objective decision-making by bringing together the results of the financial appraisal and the non-financial benefits appraisal in a consistent and transparent way.

Non-financial benefits were assessed first through a structured, weighted scoring process to understand how well each option delivers the agreed clinical, workforce, patient experience and strategic objectives, without cost influencing judgement at that stage as described in 3.3. Whole-life costs were then applied using common assumptions and a consistent time horizon, enabling comparison of value for money across options. The model tests cost against benefit, including through cost-per-benefit measures and sensitivity analysis, to assess whether differences in cost are material.

Sensitivity testing was undertaken based on the following scenarios:

a) Initial Capital Costs replaced with 2nd ranked option
b) Capital Costs increase by 15%
c) Capital Costs decrease by 15%

In all scenarios tested, Option 4 remained the first-ranked option.

In this case, the model demonstrated that cost differences between the shortlisted options were not sufficient to outweigh differences in non-financial benefit, and therefore the preferred option emerged because it consistently delivered the strongest overall balance of benefits rather than because it was the lowest-cost option.

3.7 Summary of options

Table 3.8 to 3.10 below summarise the outcome of the Economic Appraisal.

	Option 1: Do Nothing	Option 2: RGH core	Option 3: RGH Core with Intensive Rehab (IR)	Option 4: as Option 3 with enhanced elective activity	Option 4a: as Option 4 but limited to Day Case surgery only	Option 5: ambulatory care centre
NPV (£m over 60 years)	£2,336	£2,587	£2,598	£2,616	£2,611	£2,545
Non-Financial Appraisal Score	288.7	683.2	730.6	756.6	633.7	397.0
Cost Per NFA Score (£m)	£8.196	£3.787	£3.556	£3.458	£4.120	£6.410
Ranking	**6**	**3**	**2**	**1**	**4**	**5**

Figure 3-8: Summary of Options

Investment objectives	Option 1: Do Nothing	Option 2: RGH core	Option 3: RGH Core with Intensive Rehab (IR)	Option 4: as Option 3 with enhanced elective activity	Option 4a: as Option 4 but limited to Day Case surgery only	Option 5: ambulatory care centre
To deliver RGH services locally wherever possible and adapt to the unique and changing needs of the population in the remote and rural locality of Lochaber which is recognised as The Outdoor Capital of the UK	Partially	Partially	Yes	Yes	Yes	No
Develop a sustainable RGH service which optimises the skills of the local workforce, improves recruitment and retention and offers enhanced opportunities for training, including planned collaboration with other local agencies.	No	Partially	Yes, subject to additional revenue funding	Yes, subject to additional revenue funding	Partially	No
Deliver RGH services which maximise opportunities in current and future healthcare technology and innovation and make best use of this to benefit patients and staff.	No	Yes	Yes	Yes	Yes	Partially
Provide a modern flexible healthcare facility which supports the provision of a 21st century RGH model of care focused on patients and families.	No	Yes	Yes	Yes	Yes	Yes
Deliver services and infrastructure which will minimise environmental impact and deliver to Scottish Government's climate change targets, now and in the future	No	Yes	Yes	Yes	Yes	Yes

Figure 3-9: Service Options and Investment Objectives

Affordability Summary	Option 1: Do Nothing	Option 2: RGH core	Option 3: RGH Core with Intensive Rehab (IR)	Option 4: as Option 3 with enhanced elective activity	Option 4a: as Option 4 but limited to Day Case surgery only	Option 5: ambulatory care centre
Affordability	Yes	Maybe	Maybe	Maybe	Maybe	Maybe
Possible/ Preferred/ Rejected	Rejected	Possible	Possible	Preferred	Possible	Rejected

Figure 3-10: Service Options Affordability

The preferred service option is Option 4 in the table above. The focus at OBC stage has been to develop these service solutions more fully and investigate the relative merits of aspects of service provision.

3.8 Economic Financial and Wellbeing Assessment

NHS Highland commissioned BiGGAR Economics to undertake an appraisal on the benefits of the project for the local community in terms of economic, financial and wellbeing impacts.

The report titled 'Economic and Wellbeing Benefits of Lochaber Health and Social Care Redesign' report assesses the potential economic, financial and wellbeing impacts of the proposed redesign of health and social care services in Lochaber, including the replacement of the Belford Hospital, over a 60-year period.

The report concludes that options which maximise the provision of care locally, particularly a new Rural General Hospital with enhanced rehabilitation and elective services, could deliver significant benefits for patients, staff, the NHS and the local economy, including reduced travel costs and foregone earnings, improved patient and staff wellbeing, NHS efficiency savings, and increased local economic activity and employment.

The report notes the additional future benefits associated with Option 4 service model would include:

- Cost savings for patients and visitors with a present value of £68.4m
- Wellbeing benefits with a present value of £1.0m
- Economic benefits with a present value of £150.9m GVA

This suggests the return on investment from investing in enhanced capacity and additional services could be very high.

This report is included in Appendix 9.

3.9 Design Quality Objectives

3.9.1 AEDET

A workshop was held on 13th February 2026 to update the Achieving Excellence Design Evaluation Tool (AEDET) which was initially developed for the IA and reflect the progress of the design for the proposed hospital and review the Design Statement.

The workshop was attended by a broad stakeholder group and assessed some changes which have developed since the Design Statement was developed in 2021.

The comments, notes and actions were recorded and distributed to all attendees who had a further opportunity to contribute to the final AEDET version.

The workshop scoring demonstrates the design as developed continues to meet the required quality objectives. The AEDET output can be provided on request.

3.9.2 NHS Scotland Design Assessment Process

The NHS Scotland Design Assessment Process (NDAP) was introduced in 2010 as a means of helping Boards describe a clear path between the business objectives for a project and the necessary qualities of the building development.

The process helps in checking the project is on target to meet these objectives and national standards for healthcare design and sustainability, providing comfort to decision-makers at key points.

An NDAP Report was prepared by NHS Assure as a 'pre-OBC' review, and a series of recommendations were considered by NHS Highland and implemented where appropriate in the RIBA Stage 3 design. This process provided a robust challenge and 'critical friend' input to the selection of the site, and the orientation and wayfinding aspects of the development on this site.

There have been monthly meetings with NHS Assure and the NDAP team throughout the development of the Outline Business Case, and this has allowed open collaborative dialogue, ensuring that the emerging design benefitted from a wide pool of expertise.

The NDAP Review of the OBC/Stage 3 design is complete and has received 'Supported verified' status (see Appendix 13).

3.9.3 NHS Scotland Assure Key Stage Assurance Review

NHS Scotland Assure was established in June 2021 and seeks to move the culture around projects to one of more rigorous control of compliance, and adherence to technical guidance and standards.

NHS Scotland Assure will provide reassurance to NHS Highland that the project has been developed with due consideration to the Health Associated Infection System for Controlling Risk in the Built Environment (HAI-SCRIBE) and infection control, and compliance on the main building services e.g. ventilation, drainage, electrical, and that sufficient briefing and governance arrangements are in place.

Throughout the development of the OBC, and the Stage 3 design, there has been regular engagement between NHS Highland and NHS Assure. This has facilitated open dialogue around the emerging design principles and the design quality processes which have been implemented by NHS Highland.

Following the Initial Agreement Review in 2021, the OBC Key Stage Assurance Review (KSAR) process formally commenced in January 2026, with submission of the OBC/Stage 3 design information. A series of technical workshops were held in April 2026 comprising presentation of the current design by the respective discipline engineer with an overview of any derogations, non-compliances, or design decisions. This approach has ensured full transparency around design quality and allowed NHS Assure to support NHS Highland with technical expertise and guidance where necessary.

A final report was received in June 2026 confirming Supported Status and is available in Appendix 12.

3.9.4 Sustainable Design and Construction (SDaC) Guide (SHTN 02-01)

NHS Highland have appointed SDaC Champions to support the application of the SDaC guidance through the design stage. This process is being reviewed through the NDAP process, and there have been discussions with NHS Assure and Scottish Government on aspects of the guidance which relate to the design and operation of the new hospital buildings.

3.9.5 Equality Impact Assessment

An Equality Impact Assessment (EQIA) is in place, having been developed during workshops with appropriate stakeholders. The EQIA continues to be reviewed quarterly as the project progresses.

The design of the facility is fully compliant with statutory guidance in relation to access, and has had input from appropriate stakeholder groups, including the Lochaber Disability Access Panel in addition to independent access consultants. Access to the new hospital will be significantly improved from the current arrangements.

This investment will address health inequalities through improving access to the hospital and ensuring appropriate accommodation and facilities are provided for all patient groups, providing enhanced patient experience and quality of care for Lochaber patients.

3.9.6 Equality and Diversity, including health inequalities

An impact assessment has been completed and is available for review on request. This assessment is reviewed on a quarterly basis.

3.9.7 HAISCRIBE

The project team have active support from Infection Prevention and Control (IPC) with regular input to the design and Options Appraisal process from both nurse and consultant level.

IPC resource has been allocated to support the project as it progresses through the future stages, and HAISCRIBE assessments will be undertaken at each stage of the project.

3.10 Economic Case Summary

Option 4, Core RGH model with Intensive Rehabilitation and Enhanced Elective Activity is the preferred Option. The findings of the Economic Case are summarised in Figure 3.11 below.

	Option 1: Do Nothing	Option 2: RGH core	Option 3: RGH Core with Intensive Rehab (IR)	Option 4: as Option 3 with enhanced elective activity	Option 4a: as Option 4 but limited to Day Case surgery only	Option 5: ambulatory care centre
Ranking	**6**	**3**	**2**	**1**	**4**	**5**
Description	Services remain in current Belford Hospital which is at end of asset life. Limited service evolution to meet demand constrained by existing facility.	Services modernised (Core RGH Model) and relocated to a new build hospital at Blar Mohr	Services modernised (Core RGH Model) and relocated to a new build hospital at Blar Mohr. IR Service maximises patient outcomes to reduce LOS and readmission.	Services modernised (Core RGH Model with IR) and relocated to a new build hospital at Blar Mohr. Elective activity maximised.	Services modernised (Core RGH Model with IR) and relocated to a new build hospital at Blar Mohr. Day case elective activity maximised; emergency surgery relocated to Raigmore.	New ambulatory care facility built at Blar Mhor providing scheduled care on a day-case basis only. Unscheduled and inpatient care relocated outwith Lochaber.
Net Present Value based on 60 years, costs as Fig 3.6	£2,366 (baseline)	£2,587 (+9%)	£2,598 (+10%)	£2,616 (+11%)	£2,611 (+10%)	£2,545 (+8%)
Initial Capital Cost (£m)	£28.4	£157.2	£157.2	£157.2	£157.2	£92.8
Revenue Impact at Year 10	0% (baseline)	+4%	+4.5%	+5.3%	+5.1%	+5.6%
Cost Per NFA Score (£m)	£8.196	£3.787	£3.556	£3.458	£4.120	£6.410
Wider Economic Impact at Year 10 (from Appendix 9)	£4.9m	£11.8m	14.9m	15.8m	(Not assessed)	£5.2m
Service Impact	Reduction in services over time, inability to adapt effectively to meet increased demand. Increased travel to access services beyond Lochaber –	Services slightly increased, improved patient outcomes but may not meet increased demand. Some out of area travel still required.	Services increased locally and adapted through IR to meet demand, opportunity for staff progression in area. Out of area travel reduced.	Local provision of services maximised, opportunity for staff progression in area, enhanced relationship NHSH-wide. Travel minimised.	Services increased locally and adapted through IR to meet demand, opportunity for staff progression in area, perceived loss of surgical skill/ opportunity.	Enhanced elective activity but loss of inpatient service and reduces staff skills requirement. Risk associated with extended time to treatment due to loss

	time and cost impact.				Travel further reduced from Option 3 but less so than Option 4.	of Emergency Dept. Increased travel for inpatient services, limiting visitor access.
Design Quality/ Compliance	No improvement, significant non-compliance/ functionally unsuitable with poor accessibility and increased infection risk.	New facility meets needs and expectations, compliance with current technical safety and accessibility standards. Designed to adapt flexibly to service change in future and maximise digital readiness. Fit-for-purpose facility enhances efficiency and reduces non-productive time, for example in moving patients to maintain single-sex environments in multi-bed wards.				New facility as Option 2-4a but more activity delivered elsewhere in less compliant facilities.
Distributional Impacts	Increased travel adversely impacts those living rurally, the poorest and those who require additional support and their carers, i.e. those with disabilities or the elderly. Travel for obstetric scanning particularly impacts women.	Reduced travel benefits those living rurally, the poorest and those who require additional support and their carers, i.e. those with disabilities or the elderly. Repatriation of obstetric scanning will significantly reduce travel for women.				Travel impacts are positive for planned care but negative for unplanned care, impacts as Option 2-4a, but significant adverse impact associated with travel for visitors and access to emergency/ unplanned care.

Figure 3-11: Economic Assessment Summary

4 COMMERCIAL CASE

	Question	Response
Procurement Strategy	What is the appropriate procurement route for the project?	Outline: • Procurement route selected • Compliance with EU Rules and Regulations • Procurement plan & timescales
Scope of Works & Services	What is the scope and content of the proposed commercial arrangement?	Outline: • Scope & content of included services • Scope of building works • Scope of other works
Risk Allocation	How will the risks be apportioned between public and private sector?	Outline: • Risk allocation table
Payment Structure	How is payment to be made over the life span of the contract?	Outline: • Proposed payment structure • Other payment principles • Any non-standard arrangements
Contractual Arrangements	What are the main contractual arrangements?	Outline: • Type of contract proposed • Key contractual issues • Personnel implications

Figure 4-1 Commercial Case content summary

4.1 Overview

The main purpose of the Commercial Case at OBC is to outline the proposed commercial arrangements and implications for the project.

4.2 Procurement Route

NHSScotland has established Frameworks Scotland 3 as a national procurement route for major asset investment which has been developed within the appropriate public sector procurement regulatory framework.

To deliver the project in accordance with current NHS Scotland construction procurement policy, Frameworks Scotland 3 has been selected as the preferred procurement route via traditional Capital Funding. This process ensures a strategic and flexible partnering approach to the Procurement of publicly funded construction work projects, for the delivery of health facilities in Scotland.

The Framework provides NHS Scotland Boards with the ability to readily appoint pre-qualified contractors, alongside pre-agreed commercial arrangements, to act as sole point of responsibility for the management and delivery of an integrated design and construction project on time, within budget and fit for purpose. This enables NHS Highland to immediately focus on the needs of the project rather than be involved in a protracted advertisement, selection, and appointment process.

This Framework has been established to achieve the following key benefits:

- Earlier and faster delivery of projects;
- Certainty of time, cost, and quality;
- Value for money; and
- Well-designed buildings procured within a positive collaborative working environment.

The Framework is procured and managed by National Services Scotland, now part of NHSScotland Assure on behalf of NHS Scotland Health Boards.

Frameworks Scotland has been used successfully by NHS Highland for several years and there is a clear organisational understanding of the process for appointment of the Principal Supply Chain Partner (PSCP).

4.3 Principal Supply Chain Partner (PSCP)

In Frameworks Scotland 3 terminology, the single contractor is referred to as the 'Principal Supply Chain Partner' (PSCP). The PSCP's on Frameworks Scotland 3 are as follows:

- Balfour Beatty;
- Graham Construction;
- Kier Construction;
- McLaughlin and Harvey;
- RMF Health; and
- BAM.

To undertake the process of appointing a PSCP, a High-Level Information Pack (HLIP) is issued by NHS Highland to the PSCP's on the Framework inviting expressions of interest. There will then be an evaluation and shortlisting process after which a short list of PSCP's with the relevant experience and supply chain will be invited to make a second stage submission. This will be followed by presentations by the shortlisted PSCP's, followed by interviews. Appointment will be made based on the highest scoring PSCP on a Quality / Cost evaluation.

4.4 Procurement Plan

Following approval of the Initial Agreement in December 2021, NHS Highland undertook a competitive appointment process for a Principal Supply Chain Partner (PSCP) from the Framework.

Balfour Beatty were selected as PSCP, and an Interim Agreement was entered into in April 2023, for Stage 2 (OBC), Stage 3 (FBC) and Stage 4 (Construction).

A RIBA Stage 2 design was developed and works ceased in January 2023 following Scottish Government placing a pause on capital funding of new healthcare facilities.

The project recommenced in April 2025, with the completion of RIBA Stage 2 and commencement of RIBA Stage 3 design to inform an Outline Business Case.

It is anticipated that on approval of this OBC, NHS Highland and Balfour Beatty will continue to work together to deliver the Full Business Case, RIBA Stage 4 design and move towards Stage 5 (construction contract).

4.4.1 Lead Advisor

NHS Highland appointed a Lead Advisor from the NSS Lead Advisor Framework on a 5-year term in 2022 to assist on several projects across the NHS Highland estate. This appointment provides access to technical consultancy services including NEC Project Manager, Cost Advisor, NEC Supervisor, and architectural and engineering expertise.

4.4.2 Collaboration

Frameworks Scotland 3 embraces the principles of 'collaborative working' to ensure that teams within and between the public and private sectors work together effectively. Collaborative working is defined as a relationship between purchasers and providers of goods and services throughout the supply chain, based on mutual objectives, maximising the effectiveness of each participant resource while continually seeking continuous improvement. This approach is designed to deliver ongoing tangible performance improvements due to repeat work being undertaken by the supply chains.

4.4.3 NEC Contract

To achieve the objectives outlined above, the Framework adopts an NEC4 form of contract. The principal objective of an NEC4 contract is to engender a collaborative working approach by creating an open, cooperative, non-adversarial team approach to managing the contract.

NEC4 encourages the use of the contract as a management tool, and this is facilitated using the Health Facilities Scotland Contract Administration Toolkit (CAT), which is a series of pro-forma which if used effectively enable contract parties to comply with contract clauses, or a project collaboration software tool such as CEMAR.

Key features of the NEC contract include:

- The contracting parties are encouraged to work together 'work together in a 'spirt of mutual trust and cooperation, as partners in an open and transparent approach, and to ensure this partnering approach is maintained.
- Under Option C, there is a 'Gain/Pain share' mechanism to incentivise the delivery team, by rewarding good performance and penalising poor performance.
- A clear and transparent process is in place to enable negotiation and agreement of cost.
- A level of 'price certainty' is determined.
- All price thresholds are set using quantitative risk analysis; and
- A key principle of the NEC4 Option C contract is the payment of 'Defined Cost' and an open book accounting philosophy. These require a robust, reliable, and transparent system to record staff time and manage the invoicing process.

4.5 Scope and Content of Proposed Commercial Arrangements

The scope of the commercial arrangement with Balfour Beatty is for the design and construction of a new hospital, which complies with modern healthcare standards. The details of the commercial arrangement were set out in the High-Level Information Pack (HLIP) which was issued as part of the procurement competition bid documents, which essentially sets out the Employers Requirements in relation to Design Quality, Design Management, Reporting, BIM, and commercial management.

Balfour Beatty have appointed a design team including an architect, principal designer, civil and structural engineer, and a mechanical and electrical engineer.

Activity Schedules which list the activities of each member of the Design Team were submitted as part of the procurement competition and formed part of the commercial evaluation.

4.5.1 Scope of Services

The scope and content of services are provided in the response to the HLIP and further detailed in the Activity Schedules provided for each member of the Balfour Beatty Supply Chain.

The scope requires the design and construction of a new hospital, which meets all modern healthcare standards, as set out in the Scottish Health Technical Memorandum (SHTM), Health Technical Memoranda (HTM), CEL, and British Standards (BS), and in compliance with all statutory requirements such as Building Standards and Planning Regulations.

NHS Highland have issued their specific requirements in briefing documentation including a Design Quality Plan (DQP), Employers Information Requirements (EIR's) and Room Data Sheets.

PSCP and their supply chain are obliged to provide a design which meets the criteria set out by NHS Highland.

4.5.2 Scope of building works

The design of the project has been cognisant of the requirements set out in the project Design Statement, and the pre-OBC report issued by NHS Assure/HFS.

NHS Highland and NHS Assure have had monthly meetings to maintain open dialogue and collaborative input to the emerging design strategies, and to agree responses to the pre-OBC stage report issued by NHS Assure.

The OBC Stage NDAP review is complete and has received Supported Verified status (Appendix 13).

4.6 Risk Allocation

	Question	Response
Risk Allocation	How will the risks be apportioned between public and private sector?	Outline: • Risk allocation table

Risk will be allocated to the party best able to manage it, subject to the relative cost, and the degree to which risk transfer optimises value for money. A priced risk register has been developed, and this will continue to be developed through development of the RIBA Stage 4 design and Full Business Case. This will include construction stage risks following Risk Review workshops by the project team.

An appropriate allocation of risk will be made to both the PSCP and NHS Highland (as the Employer) based on the ability to manage each individual risk. The process of risk apportionment will be completed in advance of agreeing a Target Price contract with Balfour Beatty. Where risks are allocated to the PSCP, a priced risk allocation will be included within the target price. A PERT analysis will be used to derive risk values for the risk register.

Project risks will be managed by the project team using the processes and Contract Administration Toolkit as set out in the NEC Option C Target Price Contract.

4.6.1 Risk Allocation Table

The Risk Allocation table shows the potential allocation of risk between the parties. as percentage allocations.

The allocation of risks is largely established by the Design and Build procurement route, and the following table outlines the anticipated allocation of risks at the end of Stage 3 (FBC), when agreeing the construction contract for Stage 4 (construction).

Risk Category	Potential allocation of risk		
	Public	Private	Shared
Client / Business risks	100%	0%	
Design	0%	100%	
Development and Construction	25%	75%	√
Transition and Implementation	60%	40%	√
Availability and Performance	0%	100%	
Operating	100%		
Revenue	100%		
Termination	100%		
Technology and Obsolescence	50%	50%	√
Control	100%		
Financing	100%		
Legislative	100%		
Other Project risks	100%		

Figure 4-2 Risk Allocation Table

This anticipated risk allocation will be reflected in the construction contract utilising the standard Framework contract clauses.

4.7 Payment Structure

The payment structure is dictated by the terms of the chosen contract, which under Frameworks Scotland is the NEC contract.

The Project Manager is accountable, and the Cost Advisor is responsible for determining via assessment, the amount due for payment at monthly intervals. The monthly assessment process will be undertaken in line with the NEC3 process.

The construction contract between NHS Highland and Balfour Beatty is likely to be an Option C Target Price contract. Option C is a target price paid monthly up to the target cap (adjusted for Compensation Events).

The following overview of the process is based on the Monthly Assessment Process for an Option C Target Price contract.

The Cost Advisor will review the PSCP's application and prepare a recommendation for the payment based upon the Project Manager's assessment of completion and the Supervisor's review of defects. This should be undertaken within 5 days of receipt of the application. The validated application requires to be certified by the Project Manager within 3 days of receipt

of the validated application. Once certified the Project Director must within 2 days approve the certified valuation and forward to NHS accounts. NHS accounts will make payment to the PSCP within 14 days of the approved, certified valuation. The overall payment period should be within 21 days of the PSCP's application for payment.
The Cost Advisor will:

- Perform assessment duties including, assess the price of work done to date (PWDD) through the validation of records of Defined Cost submitted by the Contractor and compliance with the Schedule of Cost components, take site particulars as necessary; assess progress against programme and liaise with the Project Manager to determine any disallowed costs that may apply.

- Agree with the contractor the amount due and report same to the Project Manager.

- Review the PSCP's assessment application

- Prepare assessment documents and certification for issue by the Project Manager.

- In addition to the above, NHS Highland have requested that as part of the main application and assessment process, the PSCP tracks and reports on payment to sub-contractors (including timescales of payment).

4.8 Contractual Arrangements

	Question	Response
Contractual Arrangements	What are the main contractual arrangements?	Outline: • Type of contract • Key contractual issues • Personnel implications

Frameworks Scotland embraces the principles of 'collaborative working' to ensure that teams within and between the public and private sectors work together effectively. Collaborative working is defined as a relationship between purchasers and providers of goods and services throughout the supply chain, based on mutual objectives, maximising the effectiveness of each participant resource while continually seeking continuous improvement. This approach is designed to deliver ongoing tangible performance improvements due to repeat work being undertaken by the supply chains.

4.8.1 Type of contract

To achieve the objectives outlined above, the Framework adopts an NEC4 form of contract. The principal objective of an NEC4 contract is to engender a collaborative working approach by creating an open, cooperative, non-adversarial team approach to managing the contract.

It is anticipated that the PSCP and Employer will agree to utilise an 'Option C: Target Price' contract for RIBA Stage 5 Construction. This contract has been successfully utilised by NHS Highland on projects under both Frameworks Scotland 1 and Frameworks Scotland 2.

NEC4 encourages the use of the contract as a management tool, and this is facilitated through the use of the National Services Scotland Contract Administration Toolkit (CAT), which is a series of pro-forma which if used effectively enable contract parties to comply with contract clauses.

Key features of the NEC contract include:

- The contracting parties are encouraged to work together 'work together in a 'spirt of mutual trust and harmony', as partners in an open and transparent approach, and to ensure this partnering approach is maintained.
- There is a 'Gain/Pain share' mechanism to incentivise the delivery team, by rewarding good performance and penalising poor performance.
- A clear and transparent process is in place to enable negotiation and agreement of cost.
- A level of 'price certainty' is determined.
- All price thresholds are set using quantitative risk analysis.
- A key principle of the NEC4 Option C contract is the payment of 'Defined Cost' and an open book accounting philosophy. These require a robust, reliable and transparent system to record staff time and manage the invoicing process.

4.8.2 Key Contractual Issues

As outlined previously, NHS Highland's experience with managing construction projects under the NSS Frameworks Scotland 3 will enable the management of the construction risks through proactive management of the NEC contract.

4.8.3 Personnel Implications

There are no contractually based personnel implications arising from the proposed investment. This is proposed as a capital funded project, delivered using a design and build procurement route, with the asset being owned, operated and maintained by NHS Highland.

4.8.4 Implementation Timetable

A detailed programme has been developed which the project team are working with and updating monthly as required under the Contract. The key dates are presented below, noting that these are target dates and subject to change:

Milestone	Key Date
Submit Outline Business Case to Capital Investment Group (CIG)	April 2026
Approval of Outline Business Case	July 2026
Commence Full Business Case & RIBA Stage 4 Design	May 2026
Planning Approval	June 2026
Commence Stage 4 Design Internal Review Period	January 2027

NHSS Assure Key Stage Assurance Review	February – July 2027
NHSS Assure National Design Assessment Process Review	February – May 2027
Full Business Case Submitted for Internal Governance	August 2027
Full Business Case Submitted to Capital Investment Group (CIG)	September 2027
Approval of Full Business Case	October2027
Construction Commencement	December 2027
Construction Completion	2030
Hospital Opening	2030

Figure 4-5: Implementation Timetable

5 FINANCIAL CASE

	Financial Case	
	Key Steps	**Outcomes for OBC**
1.	Prepare the financial model	Detailed narrative & summary information on key inputs to financial model.
2.	Review capital & revenue financed impact	Completed cost template & supporting information for capital or revenue financed project.
3.	Assess affordability	Statement of affordability and explanation of any funding gaps.
4.	Confirm stakeholder support	Duly signed letter(s) of stakeholder support.

Figure 5-1 Financial Case Context

5.1 Overview

The purpose of the Financial Case is to demonstrate the affordability of the preferred option, both in the context of the Board's overall financial plans and in comparison with the other short-listed options. In practice, this involves determining the financial profile and funding consequences (both capital and revenue) of the preferred option, as well as sufficient information on the consequences of other short-listed options to set the preferred option in context, demonstrating affordability within the capital budget and setting out the revenue support required.

5.1.1 Financial Model

NHS Highland have considered the affordability of this proposal by undertaking a review of the financial implications of investment, both capital and revenue. The resultant financial model has informed both the financial and economic appraisal.

The financial appraisal is the driver for assessing affordability whilst the economic appraisal determines value for money. Further detail on the Economic Appraisal is available in Section 3. It is noted that while costs within the Economic Case do not consider VAT or Inflation, these are included within the Financial Case.

A Financial Narrative is included in Appendix 5 which presents the financial implications of this investment and outlines the methodology and assumptions applied to derive the comparative cost implications of the options. This report provides clear information and explanation of the key financial differences between the options.

The financial model for each option considers several key outputs from other parts of the business case including anticipated workforce requirements (Appendix 11), estimated revenue costs, and estimated capital costs.

The key assumptions used within the financial model include:

- The base year for the economic appraisal is the financial year 2025/2026
- Economic appraisal period is over 60 years.
- Capital expenditure is assumed to be made over a maximum of five years 2025/26 to 2030/31.
- All non-recurrent costs are seen in the year of opening 2030.
- NPV has been calculated using a capital cost of £35.80m for option 1 Do Nothing to £202.04 for options 2, 3, 4 and 4A.

5.1.2 Capital and Revenue Financed Impact

The tables below set out a summary of the Financial Model, and the initial capital costs.

On a purely financial basis, the 'Do Nothing' option gives the lowest recurrent revenue impact and the lowest lifetime costs, however does not provide any service model improvements or meet any of the investment objectives so is only used as a baseline for measuring the other options.

All of the change options include an assumed significant revenue investment ranging between £1.654m - £6.921m (including the impact of Capital Charges).

Indicative Recurring revenue costs are summarised in Figure 5.1.

Costs (£millions)	Option 1: Do Nothing	Option 2: RGH core	Option 3: RGH Core with Intensive Rehab (IR)	Option 4: as Option 3 with enhanced elective activity	Option 4a: as Option 4 but limited to Day Case surgery only	Option 5: ambulatory care centre
Pay Costs	34.878	36.238	36.437	36.758	36.669	36.977
Non Pay Costs	3.391	3.512	3.512	3.512	3.512	3.451
Building Costs	0.308	0.356	0.356	0.356	0.356	0.324
Income	-	-	-	-	-	-
Total Recurring Costs excluding Depreciation	38.578	40.107	40.306	40.626	40.537	40.752
Depreciation	0.370	3.372	3.372	3.372	3.372	1.971
Total Recurring Costs	**38.948**	**43.479**	**43.678**	**43.998**	**43.909**	**42.723**

Figure 5-1: Indicative Recurring revenue costs

Costs (£millions)	Option 1: Do Nothing	Option 2: RGH core	Option 3: RGH Core with Intensive Rehab (IR)	Option 4: as Option 3 with enhanced elective activity	Option 4a: as Option 4 but limited to Day Case surgery only	Option 5: ambulatory care centre
Pay Costs	-	-	-	-	-	-
Non Pay Costs	-	-	-	-	-	-
Total Non-Recurring Costs	**-**		**-**	**-**	**-**	**-**

Figure 5.2: Indicative Non-Recurring revenue costs

No non-recurrent revenue costs are currently identified as per Table 5.2. This will be reviewed in detail through the development of the Full Business Case stage.

Capital costs have been considered and prepared for each implementation option, and these are shown in Figure 5.3. A detailed breakdown of these costs is included in Appendix 4.

	Option 1: Do Nothing	Option 2: Core RGH Model	Option 3: Core RGH Model and Intensive Rehab	Option 4: Core RGH, Intensive Rehab & Elective	Option 4a: Core RGH, Intensive Rehab & Elective minus General Surgery	Option 5: Ambulatory Care
Professional Fees & NHS Project Team Fees	1,748,464	11,697,293	11,697,293	11,697,293	11,697,293	3,785,219
Construction	17,484,643	121,572,961	121,572,961	121,572,961	121,572,961	74,165,210
Equipment – Group 2 & 3	2,622,697	5,336,639	5,336,639	5,336,639	5,336,639	3,100,054
Inflation	1,092,790	14,553,722	14,553,722	14,553,722	14,553,722	8,343,154
Land Purchase	-	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
VAT	5,966,635	30,698,292	30,698,292	30,698,292	30,698,292	17,574,237
Optimism Bias	6,884,578	16,081,865	16,081,865	16,081,865	16,081,865	9,219,186
Initial Capital Costs Total	**35,799,807**	**202,040,772**	**202,040,772**	**202,040,772**	**202,040,772**	**118,287,060**
Transitional Period Costs	-	**409,908**	**409,908**	**409,908**	**409,908**	**409,908**
Costs of Embedded Accommodation	-	-	-	-	-	-
Total of Initial Capital Cost Implications	**35,799,807**	**202,450,680**	**202,450,680**	**202,450,680**	**202,450,680**	**118,696,968**

Figure 5-3 Summary of Financial Model (Capital Costs)

To provide the indicative costs at this Outline Business Case stage, the following assumptions have been made:

- An optimism bias of 15.5% has been applied to the capital cost of each option. This has been calculated in accordance with Scottish Capital Investment Manual guidance;

- Land purchases are included where relevant but any proceeds from disposals are assumed to be returned to Scottish Government in line with guidance, rather than being offset against capital requirements;
- External advisors' costs (included within capital cost figures) tendered costs and benchmarked against similar recent projects undertaken in NHS Highland;
- Discounted cash flow uses a discount rate of 3.5% to 30 years adjusting to 3% thereafter in line with Scottish Capital Investment Manual guidance;
- Assumes a useful asset life of 60 years; and
- Revenue costs are based on direct recruitment of staff rather than supplementary staffing which remains a risk to delivery of enhanced services.

Additional revenue cost option assumptions are available within the Financial Narrative included at Appendix 5. Additional Capital assumptions are available within Appendix 4.

The capital charges for the preferred option are £3.372m, based on an asset life of 60 years and a capital cost of £202m. Including the various streams of revenue costs, the overall recurring impact of the preferred proposal, above the 'Do Nothing' baseline is £6.921m, including Capital Charges of £3.372m.

Cost (£Millions)	**Option 1: Do Nothing**	**Option 2: Core RGH Model**	**Option 3: Core RGH Model and** Intensive **Rehab**	**Option 4: Core RGH, Intensive Rehab & Elective**	**Option 4a: Core RGH, Intensive Rehab & Elective minus General Surgery**	**Option 5: Ambulatory Care**
Life Cycle Costs (average)	23.306	31.475	31.475	31.475	31.475	18.284
Clinical Service Costs	2,209.746	2,263.631	2,274.580	2,292.222	2,287.319	2,348.289
Non-Clinical Service Costs	86.412	113.988	113.988	113.988	113.988	66.562
Estimated Running Costs	18.498	21.131	21.131	21.131	21.131	18.735
Net Income Contribution	-	-	-	-	-	-
Revenue Costs of Embedded Accommodation	-	-	-	-	-	-
Displacement Costs	-	-	-	-	-	-
Total Recurring Revenue Cost Implications	**2,337.961**	**2,400.016**	**2,441.173**	**2,458.816**	**2,453.913**	**2,454.266**

Figure 5-4 Summary of Financial Model (Revenue Lifecycle Costs)

Options 1 through 4 have similar recurrent revenue consequences and similar non-recurrent costs. The costs presented for option 5 are lower within Lochaber due to lower depreciation costs, however the service delivery costs will be higher when taking into account the cost of providing services at alternative sites, which is reflected in the figures above.

The results of the economic appraisal for the service change proposals considered are shown in figure 5.5 below:

	Option 1 – Do Nothing	Option 2 – Core RGH	Option 3 – Core RGH + Intensive Rehab (IR)	Option 4 – Option 3 + enhanced elective activity	Option 4a – Option 4 limited to Day Case surgery only	Option 5 – Ambulatory care centre
NPV over 60 years (£m)	£1,049	£1,198	£1,202	£1,209	£1,207	£1,150
Non-Financial Appraisal Score	288.7	683.2	730.6	756.6	633.7	397
Cost Per NFA Score (£m)	£3.64	£1.75	£1.65	£1.60	£1.90	£2.90
Ranking	**6**	**3**	**2**	**1**	**4**	**5**

Figure 5-5 Summary of Economic Appraisal

5.1.3 Summary of conventional capital costs and funding requirements

The capital cost of the preferred option, which is Option 4, is £202,450,680 and includes Transition costs of £409,908, VAT and inflation to midpoint of construction (Q1 2029).

The capital costs for the preferred option are detailed in the Construction Cost Plan (Appendix 4) and capital funding requirements are presented in Table 5.6.

These are based on the completed RIBA Stage 3 design prepared through the Outline Business Case stage, with broad stakeholder engagement.

Year	Total Capital Spend £000s	Existing Resources £000s	Partner Contributions £000s	SG Additional Funding Requirement £000s	Total at OBC £000s
Year 1	6,378				6,378
Year 2	7,620				7,620
Year 3	26,936				26,936
Year 4	81,223				81,223
Year 5	67,911				67,911
Year 6	12,383				12,383
Total	**202,451**				**202,451**

Figure 5-6 Summary of Capital and Funding Requirements

Some of the main capital assumptions are noted below for information with further detail available in the Construction Cost Plan (Appendix 4):

- Costs have been calculated at Q1 2026 with 80% market testing to supply chain.
- Include building, infrastructure and service costs for the proposed site
- Includes equipment within the estimate at £5.336m which has been provided as a budget cost from NHS Assure equipping
- VAT has been added to the total capital cost but there may be an element that is recoverable for the fees incurred

The capital cost has increased from the March 2022 estimate included within the Initial Agreement due to a number of factors as outlined below.

At Initial Agreement, the new build option, based on a GIFA of 8,900m2, was estimated at £135m. The current GIFA has increased to 11,799m2. This would equate to a total construction cost of £178m on a comparable £/m2 basis.

With inflation increasing by 10.17% points since March 2022 the overall comparable cost would be estimated at an average cost of between £185m - £205m. This is in line with the current updated costs.

Based on the previous RIBA Stage 2 cost plan produced prior to the capital funding pause in 2023, the updated costs represent an increase of £30m. Key areas of increase on the previous project costs can be summarised as follows:

Details of increases	Impact
Construction industry price increases in the period from 4Q 2023 to 1Q 2025 (12.2%)	£10.5m
Increase in design fees associated with inflation	£1m
Master programme increase of 10 months pre-construction: 2 months in stage 2 for re-starting project 7 months in stage 3 for governance sign off 1 month in stage 4 for governance sign off	£0.5m
Change in inflation indices in the period (7.6% – 11%)	£3.4m
Programme and commercial impact on professional fees (15% of total construction cost)	£1m
Equipment cost increase from previous (5% inflationary increase allowance)	£0.4m
Additional design risk allowance added for potential scope increases around SDaC requirements / legislation changes in period / finalisation of Stage 2/3 design (5%)	£5.5m
Impact of the above on VAT and Optimism Bias	£7.9m
Total	**£30.2m**

Figure 5-6: Summary of Construction cost increases from IA to OBC and Funding Requirements

The greatest area of cost pressure has emanated from cost increases in the period. BCIS's published Tender Price Indices (TPI's), estimate construction costs have increased by 2.85% in the period between December 2023 and March 2025. However, specific markets such as mechanical & electrical, steel and aluminium markets have seen significantly higher increases than those reported by BCIS. The costs are based on current market prices. The overall cost impact of price increases in the period is calculated to be £10.5m on the previous project costs.

The next significant increase is in relation to inflation. Previously BCIS indices were forecasting a 7.6% inflationary increase to mid-point of construction. Inflation calculations, based on the current extended programme now stand at 11%. The overall impact of this is calculated to be £3.4m on the previous project costs.

The project programme has also increased in relation to design works and governance sign-off durations. This has added an additional 10 months onto the programme, which we have estimated to be a notional amount of £0.5m. Further to this, with the delay in the programme,

design costs (professional fees) have increased with inflation in the period. Based on the revised framework rates, overall professional fees have increased by approximately £1m.

The equipment costs were previously estimated to be 15% of the total construction costs, which is in line with SCIM guidance at IA stage. These costs have been increased for inflation amounts only meantime before then engaging NHS Assure to undertake a pricing exercise on the equipment list generated from the ADB's

Following supply chain engagement and reviewing market conditions the PSCP advised of certain increases in work packages (MEP and Cladding). This amounts to an additional £5.4m on the previous costs.

The above figures are exclusive of VAT and Risk. The overall increase in the above-the-line figures amount to an increase of £7.9m in VAT and risk.

5.2 Assessing Affordability

5.2.1 Statement of Affordability

The preferred option requires capital investment to deliver a replacement RGH and associated facilities, which it is anticipated would be funded through Scottish Government capital allocation, subject to approval through the established business case process. In addition to the capital requirement, the preferred option gives rise to ongoing additional revenue costs estimated at circa £6.921m per annum inclusive of Capital Charges of £3.372m.

These additional revenue costs reflect two key drivers. Firstly, the increased building footprint which is approximately double the size of the current Belford Hospital and is required to meet modern clinical and accessibility standards, including provision of single ensuite rooms to meet Infection Prevention and Control (IPC) requirements, results in higher facilities and estates-related running costs. Secondly, the preferred option enables a revised service model that supports the strategic shift to delivering more care closer to home, improving access, resilience and sustainability of services while reducing reliance on unscheduled care and distant acute provision.

The revenue consequences of the preferred option are therefore integral to the delivery of the clinical and service benefits set out in this business case and represent a deliberate investment in safer infrastructure and transformed models of care. Affordability has been assessed within the context of NHS Highland's medium-term financial plan. Progression of the preferred option is contingent on securing appropriate recurrent revenue funding to ensure that the model is financially sustainable over the lifetime of the asset and does not adversely impact on the delivery of other services.

Should we be unable to secure additional external revenue funding we would be unable to deliver the Option 4 service model and services would transfer as per the current delivery model. However, due to the footprint and design of the building some additional costs are unavoidable.

The costs directly associated with operating a larger facility with 100% single rooms are estimated at £1.177m annually (excluding Capital Charges):

- £297k in additional nursing costs annually
- £501k in additional facilities costs annually,
- £379k in additional non-pay costs annually.

NHS Highland does not have capacity within the current funding allocation to support this level of additional cost which would increase the financial deficit.

5.2.2 Closing the affordability gaps

Over time, the preferred model is expected to contribute to wider system benefits through reduced avoidable admissions, shorter lengths of stay and improved patient flow, supporting the overall sustainability of health and care services across the system.

Potential benefits have been identified which may offset an element of the cost increase, including reduction in length of stay, reduction in travel expenses claimed through local delivery of services, and avoidance of unnecessary admission/ readmission. These require changes to the service delivery models within Raigmore and the National Treatment Centre and could reduce costs within these areas. It is unlikely however that these changes could be introduced from day one and in some cases the benefit will not be cash releasing but will generate additional capacity at the Raigmore or NTC site. Potential benefits are listed within Appendix 16.

These levels of income will be assessed through the Full Business Case stage on a system-wide basis, with input from national and regional stakeholders to determine the overall revenue impact.

Appendix 20 outlines progress made in clarifying revenue requirements since the Workforce Plan and Outline Business Case was originally drafted. While the level of service remains in line with Option 4, workforce requirements, delivery mechanisms and funding sources have been reviewed, demonstrating a reduction in the level of external revenue funding requested. The fully resolved position will be clarified in the Full Business Case.

5.2.3 Confirming Stakeholder Support

The proposals have been developed with broad internal and external stakeholder input, including staff, public and statutory bodies.

Confirmation of support from NHS Highland Board is included in Appendix 15.

There are no lease arrangements proposed in relation to the new hospital facility requiring agreement of third parties.

A workstream to provide accommodation for visiting staff and students is in development with Highland Council and Lochaber Housing Association, whereby accommodation is expected to be leased at agreed Social Housing Rates. These costs are passed to tenants in most cases and in other circumstances compare favourably to hotel accommodation provided by the private sector and are therefore considered to be cost neutral. A location adjacent to the planned

hospital site is agreed in principle and a detailed proposal will be further developed during FBC and formalised in a Memorandum of Understanding.

5.2.4 Resources

For this Outline Business Case, staff costs have been calculated as based on 2025/26 pay scales including all employers' costs.

Non-pay, and consumables, have been included in the financial modelling, using the costs of the current services as a guide on the potential service changes at this stage.

The resources required to deliver the proposed estimate are included within the capital cost estimates.

5.2.5 Capital and revenue constraints

Revenue costs have been considered and prepared for each option and are noted in the Financial Appraisal (Appendix 5).

Capital costs have been considered and prepared for each option, and these are noted in Section 5.6.1, and a detailed breakdown of these costs is included in Appendix 4. These capital costs have been calculated using the schedule of accommodation developed during the RIBA Stage 3 design process.

5.2.6 Financial contributions

The capital costs of the investment will be through a capital contribution from the Scottish Government.

Additional revenue support will be required to deliver the preferred Service Model from day one, and further work will be undertaken during FBC to determine whether any of this can be offset through a whole system approach and confirm the levels required.

6 MANAGEMENT CASE

	Question	Response
Project Management	What are the project management arrangements are in place?	Outline: • Reporting structure & governance arrangements • Key roles & responsibilities • Project recruitment needs • Project plan
Change Management	What change management arrangements are being planned?	Outline, where appropriate: • Operational & service change plans • Facilities change plan • Stakeholder engagement & communication plan
Benefits Realisation	How will the project's benefits be realised?	Outline: • Updated benefits register • Full benefits realisation plan
Risk Management	How are the project risks being managed?	Outline: • Updated risk register • Risk control measures • Governance arrangements
Commissioning	What commissioning arrangements are being planned?	Outline: • Reporting structure aligned to main project structure • Person dedicated to leading this process • Key stages • Resource requirements
Project Evaluation	How will the success of the project be assessed?	Outline: • Person dedicated to leading this process • Key stages • Resource requirements

Figure 6-1: Context of Management Case

6.1 Overview

This Management Case will demonstrate that NHS Highland are ready and capable of delivering a successful project and have appropriate governance structures and project management expertise in place.

6.1.1 Reporting Structure and governance arrangements

NHS Highland have developed a Governance document which sets out the governance arrangements in place for the Lochaber project, to manage the programme of service redesign, and delivery the capital investment.

The document sets out the governance structure for the project which will ensure:

- Clear and accountable decision making
- Appropriate and meaningful stakeholder engagement
- Delivery of an effective and efficient service model
- Delivery of a functionally suitable new infrastructure, delivered on time, to budget and to agreed quality standards.

The governance structure presented in figure 6.2 will be followed to ensure the project is delivered on time, on budget and to the required quality standard, and is regularly reviewed to ensure it remains appropriate for the stage of the project.

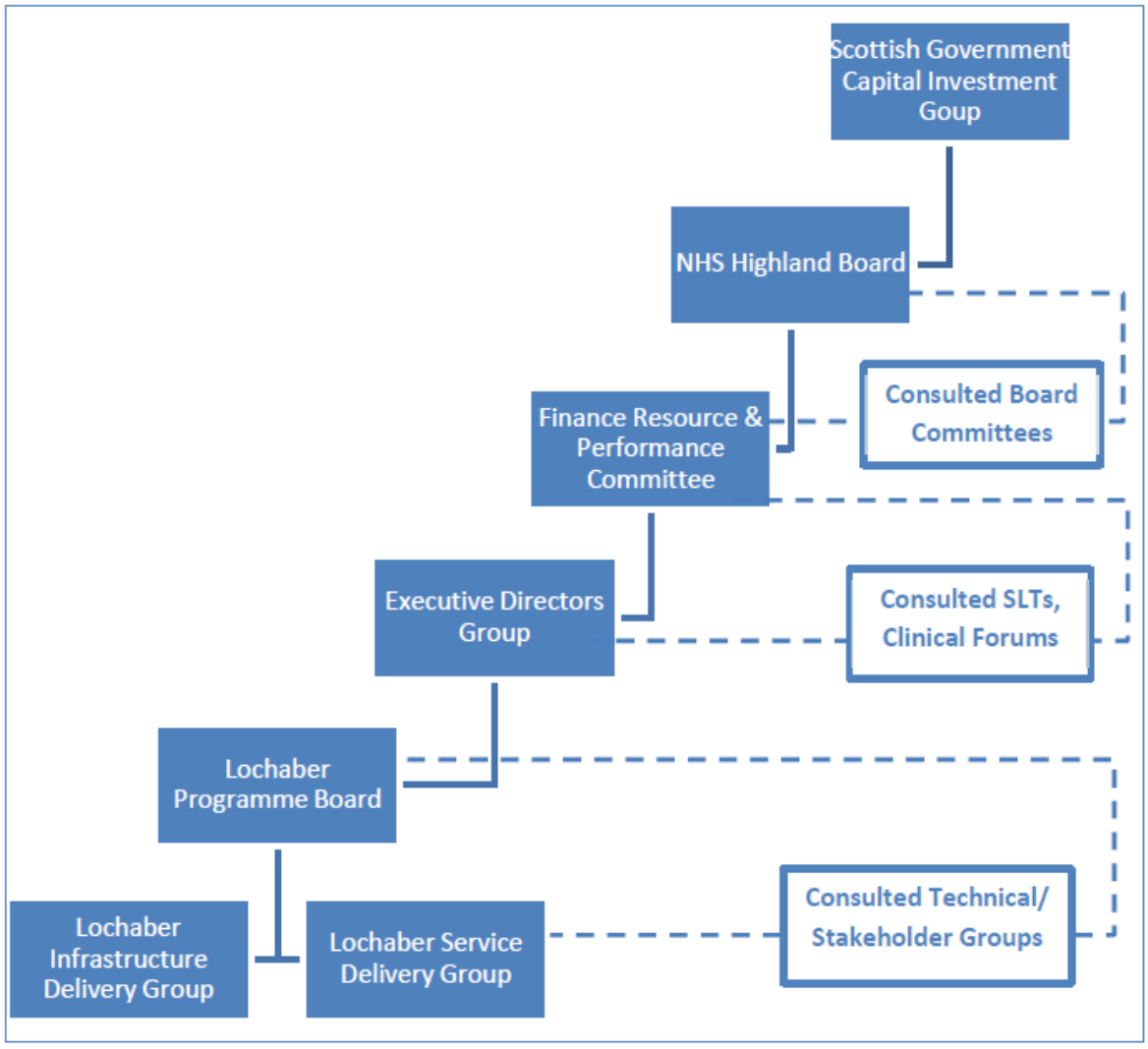


Figure 6-2: Governance Structure

In addition to this structure, further groups will be consulted on key documents as indicated by a dotted line on the diagram above, with comments submitted via an appropriate forum in the formal governance structure. These groups will include:

- Highland Health & Social Care Committee
- Capital & Asset Management Group
- Executive Directors Group
- Acute and Highland Health & Social Care Senior Leadership Teams
- Infrastructure Programme Board

6.1.2 Programme Board

NHS Highland's Lochaber Redesign Programme Board monitors progress providing the necessary steer to resolve issues which cannot be resolved at Project Team level, as well as approving key project documents such as Business Cases.

The Board is responsible for approving key project documents such as Business Cases and Brief and receives assurance the project remains within the required scope, time, cost and quality parameters.

Membership of the Programme Board is shown in Table 6.3 as follows:

Name	Role	Organisation/Group
Louise Bussell	Senior Responsible Officer/ Nurse Director (Chair/Sponsor)	NHS Highland
Richard MacDonald	Director of Estates, Facilities & Capital Planning/ Deputy SRO (Infrastructure)	NHS Highland
Katherine Sutton	Director of Acute Services/ Deputy SRO (Service)	NHS Highland
Alan Morrison	Deputy Director, Health Infrastructure and Sustainability	Scottish Government
Evan Beswick	Chief officer A&B	NHS Highland
Arlene Johnstone	Chief Officer Highland HSCP	NHS Highland
Boyd Peters	Medical Director	NHS Highland
Jennifer Davies	Director of Public Health & Policy	NHS Highland
Heledd Cooper	Director of Finance	NHS Highland
Gareth Atkins	Director of Human Resources and Organisational Development	NHS Highland
Gavin Smith	Staff Representative	NHS Highland
Reporting Roles:		
Heather Cameron	Senior Programme Manager (Infrastructure & Programme Management)	NHS Highland
Elspeth Skinner	Senior Programme Manager (Service)	NHS Highland
Elaine Ward	Finance Lead	NHS Highland
Emma Oates	Belford Hospital Manager/ Local Service Lead	NHS Highland

Figure 6-3: Programme Board Members

Role & Remit

The Programme Board will supervise the specification and procurement of the project, including:

- Ensure the project direction meets with the overall strategic direction of NHS Highland;
- Agreeing the scope and supervising development and delivery of the project;
- Approval of key project documents, in particular the business case, service model and briefing documentation;
- Assuring the project remains within the framework of the overall strategy, scope, timescale and budget;
- Assuring business continuity during project implementation;
- Assuring appropriate communication and engagement with stakeholders.
- Resolution of risks and issues escalated by the Delivery Teams
- Advising Delivery Teams of any developments external to the project which need to be considered.

Reporting

The Delivery Teams are required to report to the Programme Board on the following;

- Status of project in respect of time, scope and costs. Should this be out-with the agreed parameters, the delivery team should outline what corrective action is being taken;
- Activities and milestones achieved during last reporting period, and planned activities and milestones for next period in relation to realising the agreed project objectives and benefits;
- Highest risks to project delivery and the actions taken to mitigate these. New risks or any changes to the rating of existing risks will be identified;
- Issues requiring escalation.
- Update on progress – for information; and
- Update on stakeholder communication and engagement – for information.

Administration

- The Programme Board will meet quarterly, or more frequently if required at key decision-making points.
- Papers will be circulated by email one week prior to each meeting date;
- A draft note of the meeting will be circulated to members by email within 2 weeks of the meeting date.
- Once ratified, meeting notes will be made available to the public on the NHS Highland website.
- Papers and notes can be provided to members in hard copy on request.
- Decisions will be made by consensus where possible and by majority vote in any other circumstances.
- Nominated deputies should attend if the member is unable to.
- To be considered quorate, the following (or their appointed Deputies) shall be present:
    - The SRO and deputy SROs

- One representative from Acute Services
- One representative from Community/HSCP services
- One representative from Finance

6.1.3 Client Advisors

NHS Highland have appointed Independent Client Advisors assigned to support the development of the capital project, and the Outline Business Case. These advisors have worked with NHS Highland on previous projects and have experience and expertise in the development of healthcare infrastructure across the NHS Scotland estate and have worked with NHS Highland on successful projects including Community Hospitals in Badenoch & Strathspey and Skye, and at the NTC-Highland in Inverness. Client Advisors are selected and appointed using the NHSScotland Assure Consultant Frameworks.

Independent Client Advisors:	
Project role:	**Organisation & Named lead:**
Healthcare Planning	Buchan & Associates: Gillian Bratt-McManus
Lead Advisor	Thomson Gray: Ross Lovatt
Project Manager	Thomson Gray: Melanie Fecker
Business Case author	Thomson Gray: Laurence Casserly
Cost Advisor	Thomson Gray: Amy Mackenzie
Technical Advisor (MEP)	Hoare Lea: Paul Winning
Technical Advisor (C&S)	Goodson Associates: Gary Farquhar
Technical Advisor (Architect)	Oberlanders: Margarida Magro
CDM Advisor	Thomson Gray: Stuart Deans
Accessibility Consultant	ABT Safety Limited: Brian Taggart
Energy Modelling	IES: Colin Rees

Figure 6-4: Independent Client Advisors

6.1.4 Project Recruitment Needs

NHS Highland continue to monitor the resource required to progress this project and will identify any resource gaps in the project structure and formulate a plan to appoint suitable resources, from internal candidates, other NHS Boards, NHS Assure, or external advisors.

6.1.5 Project Plan and key milestones

The project team have a detailed programme which is updated monthly, as required under the NEC contract in place between NHS Highland and Balfour Beatty.

The project is tracking progress, and mitigating delays, constraints, and risks as they arise. The programme is built on the experience of the project team and is a reasonably accurate forecast of what can be achieved. There are risks within the programme such as timescales for statutory approvals, however the target dates set out are achievable.

The programme forecast is based on the Activity Schedules provided by the design team, and the resource available to NHS Highland and their Lead Advisor/Technical Advisor.

The programme will continue to be updated monthly, and any variances reported to the Programme Board.

The key programme milestones are tabled below:

Milestone	Key Date
Submit Outline Business Case to Capital Investment Group (CIG)	April 2026
Approval of Outline Business Case	July 2026
Commence Full Business Case & RIBA Stage 4 Design	May 2026
Planning Approval	June 2026
Commence Stage 4 Design Internal Review Period	January 2027
NHSS Assure Key Stage Assurance Review	February – July 2027
NHSS Assure National Design Assessment Process Review	February – May 2027
Full Business Case Submitted for Internal Governance	August 2027
Full Business Case Submitted to Capital Investment Group (CIG)	September 2027
Approval of Full Business Case	October2027
Construction Commencement	December 2027
Construction Completion	2030
Hospital Opening	2030

Figure 6-5: Programme Milestones

Programme Risk is managed through active monitoring of progress against programme. Risks relating to stakeholder input, including internal and external stakeholders such as NHSS Assure, is managed by ongoing engagement and communication to ensure that any concerns are notified early to enable corrective action and minimise programme impact.

6.2 Change Management Arrangements

Change management has been considered throughout the Outline Business Case, particularly in relation to workforce arrangements. Levels of authority have been clearly defined and agreed through the governance structure and processes are in place to record decision making including any changes across the service and infrastructure workstreams.

6.2.1 Operational and service change plan

NHS Highland have developed very detailed Workforce Plans to identify the resources required to deliver the proposed service change.

The plans consider the potential impact of the project on the NHS Board's operational and service activities, processes, and people and, this planning will continue to throughout the development of the FBC.

It is recognised that the proposed investment is as much about workforce transformation and ensuring a sustainable workforce in Lochaber as it is about building a new facility.

To support this ongoing work, a People and Culture Plan has been developed and is available for review in Appendix 7. This plan priorities strengthening communication and decision transparency, assists with the soft-landing plan, and supports managers to ensure recognition and wellbeing. It also builds on our existing values and learning culture principals embedded in NHS Highland's "Together We Care" strategy.

The aim is to establish a framework that supports, retains, and develops the Lochaber Health workforce during the transition to a redesigned service and the opening of a new hospital, along with new workforce arrangements. This will be achieved by turning staff input into clear priorities, actionable steps, with measurable outcomes and accountability before, during, and after relocation, in collaboration with all stakeholders. This approach will be underpinned by NHS Highland core values.

6.2.2 Facilities change plan

Facilities services have been addressed with the key service leads through the development of the Outline Business Case, including Domestics, Hotel Services, Estates. The new hospital will be managed using existing resources at the Belford Hospital, and where additional staff are required, this has been included in the Workforce Plan and revenue costs.

Facilities management staff will be included within the overarching project plan and any operational & service change plans.

6.2.3 Stakeholder engagement and communication plan

The Service Delivery team have developed a Communication and Engagement Strategy for the project.

A comprehensive programme of communication, involvement and engagement has been undertaken throughout the Lochaber Redesign Programme. All relevant internal and external stakeholders have been involved through a range of engagement sessions and formal governance arrangements.

The Executive Directors Group (EDG) has reviewed the work at key stages, and multiple iterations of the proposals have been considered and refined through the Programme Board. Ongoing oversight and engagement are maintained through regular weekly Senior Responsible Officer (SRO) and core programme team meetings, providing a forum for discussion, challenge and decision-making as the programme progresses.

To date, there has been regular engagement with stakeholder groups, with stakeholder feedback being considered and included within the design proposals. Through the broad engagement with a wide array of stakeholders, a strong consensus is in place for the investment proposal.

The detailed Communication and Engagement Plan can be provided for review on request.

6.3 Benefits Realisation

This investment will deliver demonstrable benefits to patients throughout the Lochaber region. The primary focus of benefits will be on improving patient outcomes, with additional benefits derived from providing services locally and mitigating the time and expense associated with travelling to Inverness for appointments.

The Benefits Register developed for the Initial Agreement has been reviewed and updated by the project team, and this is included in Appendix 16.

The Benefits Register has allocated a baseline to each benefit so that the improvement and identified benefit can be assessed accurately. An owner has also been allocated to each benefit.

NHS Highland will continue to develop the Benefits Realisation Plan through the development of the Full Business Case and the Benefits Register will be a standing agenda item on Project Board Meetings to ensure that Benefits are actively managed.

Benefits realisation will continue beyond the delivery of the capital project and the opening of the new hospital. The Benefits Register will be maintained throughout the Full Business Case, construction, commissioning and post-occupancy phases, with each benefit assigned to a named owner responsible for monitoring progress against agreed baselines and targets. Benefits performance will be reviewed routinely through established project governance arrangements, including the Service Delivery Group and Programme Board, to ensure that anticipated outcomes remain on track and that any barriers to delivery are identified and addressed.

In addition, many of the measures associated with the anticipated benefits are already monitored through established NHS Highland performance management processes, including Board reporting, Integrated Performance and Quality Reports (IPQR), Operational Improvement Plan (OIP) monitoring, workforce performance reporting, waiting times, patient flow, recruitment and retention metrics, infection prevention and control measures, and patient experience feedback. This will enable the project benefits to be embedded within business-as-usual performance management arrangements, providing ongoing assurance that the investment continues to deliver the intended strategic, clinical, operational and community outcomes throughout the life of the facility.

6.4 What benefits will be gained from this proposal?

Benefits were identified in a series of focussed workshops with a cross-functional group of stakeholders, involving clinical and operational management staff located within the Belford, in community-based services in Lochaber and involving public representatives. The benefits identified within this section are reflected in the project's Benefits Register (Appendix 16), which sets out the associated measures, baselines, targets, and owners. The key benefit themes were also used as part of the non-financial options appraisal process (Appendix 2) to inform the assessment of shortlisted options.

Key themes of the benefits were identified as follows, and a structured discussion based around these:

- Person centred
- Safe
- Effective quality of care
- Health of the population
- Value and sustainability
- Wider / social impacts

Benefits proposed by the cross-functional team were also sense-checked against NHS Scotland's strategic investment priorities – person centeredness, safety, effective quality of care, improved health of the population, value, and sustainability.

Benefit Category	Summary Benefits
Person-centred	• Improved patient experience, dignity and involvement in care decisions. • More care delivered locally, reducing travel and improving access to services. • Improved support for independent living, carers and community-based care. • Improved hospital environment, accessibility and overall patient experience. • Faster access to care, reduced delays and increased local service provision.
Safe	• Reduced healthcare-associated infections and outbreaks. • Reduced adverse events, including falls and medication-related harm. • Improved statutory compliance and reduction in estate-related risks. • Elimination of significant backlog maintenance and associated safety concerns. • Improved patient safety through a modern, fit-for-purpose healthcare environment.
Effective Quality of Care	• Improved clinical effectiveness and patient outcomes. • Reduced emergency admissions, readmissions and delayed discharges. • Improved whole-system working across health and social care services. • Increased access to ambulatory and same-day emergency care. • Improved patient flow, discharge arrangements and service integration.

Health of the Population	• Improved health and wellbeing of the Lochaber population. • Earlier diagnosis and intervention for a range of conditions, including cancer. • Improved access to preventative, maternity, mental health and community services. • Contribution to reducing health inequalities and improving long-term health outcomes.
Value and Sustainability	• Improved workforce attraction, retention and development opportunities. • Reduced reliance on temporary staffing and locums. • Improved estate utilisation, maintenance efficiency and operational resilience. • Reduced energy consumption, carbon emissions and environmental impact. • Improved flexibility of the estate to respond to future service requirements and models of care.
Wider / Social Impacts	• Increased community confidence in local health services. • Enhanced attractiveness of Lochaber as a place to live, work and invest. • Creation of apprenticeships, training opportunities and local employment. • Support for economic activity during construction and operation. • Strengthened partnership working and opportunities for future investment and innovation.

Figure 6-5: Benefits Summary

Collectively, these benefits support the delivery of NHS Highland's strategic objectives for sustainable, person-centred, high-quality care delivered as locally as possible. The preferred option will improve patient experience and outcomes through enhanced access to services, reduced travel requirements and deliver modern facilities designed around contemporary models of care.

Wider system benefits are also anticipated through improved patient flow, reduced avoidable admissions, enhanced rehabilitation capacity, greater workforce sustainability and increased opportunities to deliver care closer to home. The investment will also provide a modern, flexible estate capable of adapting to future changes in population need, technological advancement and service delivery models. By combining service redesign with infrastructure renewal, the proposal aims not only to address current challenges but also to create a resilient platform for the future delivery of health and social care services across Lochaber.

In addition to direct clinical and operational benefits, the investment is expected to generate wider economic and social value for the Lochaber area. Improved local access to healthcare services reduces the financial and personal burden associated with travel for treatment, supports workforce recruitment and retention, and contributes to the sustainability of local communities in a remote and rural region.

The co-location of services and opportunities for collaboration with partner organisations, including Highland Council and University of the Highalnds and Islands, further strengthen the role of the new hospital as an anchor institution supporting place-based development and community wellbeing.

6.5 Risk Management

Risks are inherent in each investment proposal, and it is important that the risks to the investment objectives are identified, understood by all parties, and mitigated so that the investment objectives be achieved.

The Risk Register developed during the Initial Agreement process has been reviewed and updated by the Project Team, and risks specifically associated with the construction activities have now been included. Risks with a 'high' risk rating (15-25) are extracted into the table below for ease of reference, and the project risk register is included as Appendix 3.

Risk management is embedded within the governance arrangements for the Lochaber Redesign Programme and forms an integral part of programme decision-making. Risks are reviewed routinely through the Service Delivery Group and Infrastructure Delivery Group, with significant risks escalated to the Programme Board. Each risk has an identified owner who is responsible for monitoring the risk, implementing mitigation actions and reporting on progress.

Particular focus will continue to be placed on risks relating to workforce sustainability, affordability, service continuity, construction market conditions, statutory approvals, digital dependencies and the delivery of wider health and social care transformation programmes upon which elements of the redesign are dependent.

The project also benefits from a comprehensive assurance framework, including oversight through NHS Highland governance arrangements, independent technical review by NHS Assure and the NHS Scotland Design Assessment Process (NDAP), and scrutiny through the Scottish Capital Investment Manual (SCIM) process. This provides additional assurance that key risks are identified, assessed and managed appropriately throughout the project lifecycle.

These risks will continue to be reviewed and managed throughout the development of the project, through the Full Business Case process, and will form part of the Target Price contract between NHS Highland and the PSCP. The Risk Register will also be considered alongside the Benefits Register to ensure that risks which could prevent the realisation of anticipated benefits are identified early and actively managed.

Ref No	Risk Description	Rating	Mitigation
2	NHSH doesn't have the capacity or capability to deliver the project/redesign, impacting quality.	16	Recovery plan to be developed for each post. Support from technical advisors engaged.
37	Unable to develop an affordable workforce plan in line with Initial Agreement aspirations.	20	Workforce Plan has been developed with robust review and requires additional revenue funding - highlighted with OBC. Further work to determine Whole System Costs required for FBC.

56	Key personnel do not attend meetings, leading to extended discussion/ delay, loss of quality or expertise in decision making.	16	Ensure attendees have a clear understanding of the purpose of meetings and their role, ensure deputies are provided if primary attendees cannot attend. Ensure stakeholder approvals are obtained offline as required. Monitor attendance, follow up offline as required.
62	ehealth input is siloed by dept which increases the risk of some elements being missed (design/ cost)	15	Ehealth to produce a plan setting out responsibilities, deliverables and lead contact from each department.

Figure 6-6: Risk Register extract (19th May 2026)

6.6 What risks could undermine these benefits?

A similar, workshop-based approach with a cross-functional team was used to explore the risks associated with the project at this stage of its development. Risks were assessed both in terms of impact/ consequence and for likelihood of occurrence on the project. A full list of the risks identified can be found in Appendix 3.

The principal risks which could undermine the realisation of benefits relate to workforce availability, affordability of the future service model, delays to the delivery programme, dependencies on wider health and social care transformation activity, and the availability of revenue funding required to support enhanced services. Failure to successfully address these risks could limit the extent to which anticipated benefits are realised, including improvements in patient access, workforce sustainability, reduced travel requirements, enhanced patient flow and the delivery of care closer to home. The project governance arrangements are designed to identify, monitor and mitigate these risks throughout the project lifecycle to maximise the likelihood of achieving the intended outcomes.

While no individual risk has been identified which would fundamentally undermine the strategic case for investment, several risks require active management throughout the development and delivery of the project. In particular, workforce recruitment and retention, affordability pressures, evolving policy and planning requirements, and dependencies on partner organisations will require ongoing oversight. These risks are reflected within the Risk Register and are subject to regular review through the programme governance structure to ensure appropriate mitigation actions remain in place.

Likely risks were identified across the following categories:

- Client/ business risks.
- Planning and design risks.
- Construction and property risks.
- Finance risks; and
- External risks.

Risk rating scales:

Rating	Impact / consequence
1	Negligible
2	Minor
3	Moderate
4	Major
5	Extreme

Rating	Likelihood
1	Rare
2	Unlikely
3	Possible
4	Likely
5	Almost Certain

Figure 6-7 Risk rating scales

These two factors were multiplied together to produce a risk rating, which has been attributed a red, amber, or green status based on the value of this rating, to facilitate prioritisation of effort as we move forward in the project and identify means of mitigating and monitoring the risks as part of ongoing project management activities.

		Initial Risk Consequence				
		Low	Moderate	High	Very High	Extreme
Initial Risk Likelihood	Certain	Medium	Medium	Medium	High	Extremely High
	Almost Certain	Medium	Medium	High	Extremely High	Extremely High
	Likely	Low	Medium	Medium	Medium	High
	Unlikely	Low	Low	Medium	Medium	Medium
	Highly Unlikely	Low	Low	Low	Medium	Medium

Figure 6-8 Red, amber, green status based on overall risk rating

No red or green status risks were identified at this stage of the project. A full list of the risks identified, and their associated ratings can be found in Appendix 5.

6.7 Are there any constraints or dependencies?

A project of this nature is intrinsically linked to activities across the wider health and care sector in the region and is closely aligned to the wider strategic direction and objectives of NHS Highland. The successful delivery of the preferred option is dependent not only on the capital investment itself, but also on a range of wider organisational, workforce and system factors. While these constraints and dependencies do not undermine the strategic case for investment, they influence the pace, scale and extent to which the anticipated benefits can be realised. NHS Highland will continue to monitor these factors through established governance arrangements and work collaboratively with partners to mitigate potential impacts where possible. Some of the key constraints and dependencies are outlined below.

Constraints include:

- Workforce available to deliver future service model, both within the hospital setting and in community settings.
- Locally availability of accommodation to facilitate staff relocating to the area.
- Compliance with all current health guidance;

- Business case process including build and commission; and
- Financial resource available to deliver the future service model.

Dependencies include:

- There is a dependency on adopting new working models.
- Capital investment in premises.
- Investment in technology
- Revenue funding support from Scottish Government.
- Delivery of workforce recruitment, retention and accommodation solutions.
- Adult Social Care transformation and future commissioning arrangements.
- Regional planning and service developments through the Scotland West arrangements.
- Digital infrastructure and interoperability.
- Transport and access planning around Blar Mhor in relation to active travel and bus route connectivity
- Collaboration with Highland Council on provision of accommodation for visiting staff and students.
- Completion of upgrades to national grid by SSEN.

Particular dependencies include securing the revenue funding required to operate the enhanced service model, continued development of sustainable workforce solutions, including staff/ student accommodation, progression of adult social care transformation and commissioning arrangements, implementation of digital infrastructure required to support modern models of care, and ongoing collaboration with Highland Council, regional partners and Scottish Government. These dependencies are reflected within programme governance and will continue to be reviewed through the Full Business Case and implementation phases to ensure alignment with the wider health and social care system.

6.8 Commissioning

NHS Highland have developed strong expertise in Commissioning new build hospitals in recent years, through the completion of the Community Hospitals at Skye, Badenoch & Strathspey, and the NTC-Highland in Inverness.

The commissioning of all installations will be managed by Balfour Beatty as part of their contract, and as with previous projects, a Commissioning Manager will be appointed to actively manage and report on this process.

NHS Highland have developed an outline Commissioning Plan which will set out their approach to commissioning and validation of the new hospital, prior to occupation.
The commissioning plan provides the following information:

- Details of the reporting structure and governance arrangements for commissioning which align with the overarching project structure.

- Identification of the person dedicated to leading on this aspect of the project;

including an outline of their role and responsibilities, an indication of their competency for carrying out this role, and continuity plans in place for this important role.

- An outline of the key stages expected within the commissioning process and an indication of appropriate time scales.
- An outline of the resources needed to implement this plan; including any recruitment plans to fill any vacant roles.

A full Commissioning Master Plan will be developed and presented in the Full Business Case.

6.9 Project Evaluation

An outline of the project evaluation arrangements being planned for the project are presented in the Post Occupancy Evaluation paper in Appendix 8. This will be fully developed through the FBC Stage and will follow the format and process implemented successfully by NHS Highland on recent new build projects. The key information to be covered in the POE includes:

- Identification of the person dedicated to leading on this aspect of the project; including an outline of their role and responsibilities, an indication of their competency for carrying out this role, and continuity plans in place for this important role.
- An outline of the key stages expected for monitoring and evaluating the success of the project.
- An outline of the team who will be responsible for undertaking Project Monitoring and Evaluation, and their respective roles.

7 CONCLUSION

	Questions	Response
Conclusion	Is this proposal still important?	Confirm: • Statement that this proposal remains important

7.1 Is this proposal still important?

On conclusion of this Outline Business Case, this proposal remains important for NHS Highland.

The proposal will address issues with the provision of services in the Lochaber area and will meet the stated investment objectives agreed by the stakeholders

The preferred option is:

- **Option 4 – RGH clinical model with Intensive rehab, and enhanced elective services provision**

The proposal will achieve NHS Scotland's Strategic Priorities (refer to table 7.1 below) and will also deliver service change which responds to the vision set out in the National Strategy for Scotland as detailed throughout this proposal.

NHS Scotland's Strategic Priorities:	Lochaber redesign
Person Centred	Equity of access to services.
Safe	Modern compliant facilities ensuring a safe environment.
Effective quality of care	Redesigned model of care will enable effective quality of care.
Health of population	Access to a redesigned model of care for population of Lochaber.
Value & sustainability	This proposal will enable a sustainable, efficient, patient-focused service.

Figure 7-1 – Alignment to NHS Scotland Strategic Priorities

8 APPENDIX 1: INITIAL AGREEMENT APPROVAL

9 APPENDIX 2: OPTIONS APPRAISAL SUMMARY REPORT

10 APPENDIX 3: RISK REGISTER

10 APPENDIX 3: RISK REGISTER

11 APPENDIX 4: CAPITAL COST APPRAISAL

12 APPENDIX 5: FINANCIAL AND ECONOMIC APPRAISAL

13 APPENDIX 6: GOVERNANCE STRUCTURE

14 APPENDIX 7: PEOPLE AND CULTURE PLAN

15 APPENDIX 8: POST OCCUPANCY EVALUATION (POE) PLAN

16 APPENDIX 9: ECONOMIC AND WELLBEING IMPACTS

17 APPENDIX 10: RIBA STAGE 3 LESSONS LEARNED SUMMARY

18 APPENDIX 11: WORKFORCE PLAN

19 APPENDIX 12: NHS ASSURE KSAR CONFIRMATION

20 APPENDIX 13: NDAP SUPPORTED (VERIFIED) STATUS

21 APPENDIX 14: SOCIAL IMPACT PLAN

22 APPENDIX 15: CONFIRMATION OF NHS HIGHLAND BOARD APPROVAL

23 APPENDIX 16: BENEFITS REGISTER

24 APPENDIX 17: LOCHABER POPULATION PROJECTIONS BRIEFING

25 APPENDIX 18: LOCHABER POPULATION & HEALTH PROFILE

26 APPENDIX 19: ACTIVITY DATA SUMMARY

27 APPENDIX 20: UPDATED REVENUE POSITION

28 APPENDIX 21: CONFIRMATION OF SUPPORT FROM SCOTTISH GOVERNMENT