

NHS LANARKSHIRE

CAPITAL AND LOGISTICS REPORT

Overview

The attached report from Currie and Brown identifies capital costs of £173m for option 2 (Monklands level 3) and £133m for option 3 (Hairmyres level 3).

These are significantly higher than the original estimates although include optimism bias, VAT, fees, equipment and provision for contingencies and are based on a more detailed assessment of the impact of both options on all 3 sites. Importantly the capital difference between the 2 options remains broadly the same as initial estimates.

The report highlights the key assumptions made and Section 5 on risks confirms the logistical difficulties of developing Monklands as either a level 3 or a level 2 hospital. This risk is partly reflected in the differential level of optimism bias applied to Monklands for both options. However the Currie and Brown report highlights a number of areas of uncertainty in respect of Monklands and there could be an argument for increasing the level of optimism bias further. This will be explored as part of the financial risk assessment. Given the range of assumptions and risks it is clear that the costs are by no means fixed at this stage, but do give a reasonably firm basis for the financial and economic appraisal of the options.

The costs associated with this capital investment are a key component of revenue and will be incorporated into the work being undertaken on financial affordability which will consider the full range of proposals included in PoH.

A detailed paper on the financial and economic appraisal of the options, and the overall affordability of "A Picture of Health" will be presented to the Board in June.

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