



NHS LANARKSHIRE

OUTLINE BUSINESS CASE

AIRDRIE PRIMARY CARE RESOURCE CENTRE

October 2006

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Executive Summary

NHS Lanarkshire provides community and primary healthcare services to the population of Lanarkshire from over 100 premises. Its facilities at Airdrie Health Centre and Adam Avenue Clinic are no longer fit for purpose and service provision is restricted, as the environment cannot support the delivery of a modern healthcare service. For some considerable time, NHS Lanarkshire has been exploring options to address these problems and specifically to replace both premises, along with premises of several GPs not located in the Health Centre or Clinic, in a new facility that is fit for purpose, appropriate in size and promotes joint working both within the extended healthcare team and with colleagues in Social Work.

The development of an Airdrie Primary Care Resource Centre has been confirmed as a high priority and is a key driver in the delivery of “A Picture of Health”, our approved strategy for the provision of healthcare services.

Major benefits of this development will include:

- Delivery of the Kerr report through the provision of better and more accessible services to manage a wider range of conditions locally within a primary care setting
- Development of further joint working between Health and Local Authority staff
- Bringing together a number of GP practices who currently operate from disparate locations within the town
- The opportunity to deliver an enhanced range of services to patients
- Provision of a purpose built facility designed to enable the provision of a modern healthcare service which complies with all current and anticipated service requirements e.g. Glennie decontamination requirements.
- Improved access to services for patients

The options reviewed in this business case include:

- Minimum upgrade of existing premises to satisfy statutory and environmental requirements.
- Extend and refurbish existing premises.
- New build Capital Funded, various sites
- New Build Third Party Development, various sites
- Leased Option

The outcome of the option appraisal is that the preferred option, delivering best value for money and achieving the greatest benefits, is a capital-funded new build at Graham Street in Airdrie.

Estimated capital costs of the preferred option are £22,968,000, including external and known abnormal site costs, VAT, professional fees, site purchase, equipment and the cost of specialist IT / telecommunication services. Total annual revenue costs for the new build project are £1,617,000 compared with the revenue budget for the existing facilities of £386,000. Through the Full Business Case, these revenue costs will be further scrutinised and an assessment of the level of releasable budget from existing facilities will be made.

The lease option has been explored, however, due to the additional revenue costs that this would incur this would not represent value for money and it is proposed a capital solution is approved.

PPP / PFI was also considered, however as the Graham Street option is already owned by a developer the only options available are leasing and capital build, with the developer undertaking the capital build.

The Board is asked to formally approve capital expenditure of £22,968,000 to create a new integrated health facility incorporating 10 GP practices, community mental health accommodation, a range of Allied Health Professional services including podiatry, speech and language therapy, community dental services and local authority social work in Airdrie Town Centre. The capital funding will be provided from the NHS Lanarkshire Capital Allocation.

Introduction

NHS Lanarkshire is committed to providing services which are of the highest possible standard and are designed to meet the needs of communities as locally as possible. NHS Lanarkshire's vision is to create integrated multi-service Primary Care Resources Centres in modern purpose built premises in locations that are accessible to the communities they serve. NHS Lanarkshire's facilities at Airdrie Health Centre, Adam Avenue Clinic and in a number of GP premises within the Airdrie area are no longer fit for purpose for the provision of existing services, and are incapable of further development to accommodate a wider range of services and staff.

Airdrie Health Centre and Adam Avenue Clinic have been subject to a detailed space utilisation and functional suitability study as part of the Estatecode programme of premises inspections. In addition, NHS Lanarkshire undertook a series of premises inspections (with the Board's Area Medical Committee's GP Sub Committee) of the privately owned GP premises. These studies highlighted a number of major deficiencies, which require to be addressed as a matter of some urgency. There has been minimal capital investment in both the Health Centre and Adam Avenue Clinic and limited investment in two of the privately owned premises, which still retain their original size and physical characteristics. However, during recent years there have been considerable developments in healthcare provision and an increase in patient activity throughout Airdrie.

There is considerable support for incorporating the majority of General Practitioners in Airdrie into a new facility and this is the key to developing plans for the provision an integrated healthcare service which will include access to mental health services.

At present six GP practices are based at Airdrie Health Centre and a further practice is based at Adam Avenue Clinic. Community nursing and allied health professional services are based at Adam Avenue Clinic and are remote from the vast majority of GPs. Therefore the option to co-locate the Primary Care teams at Airdrie Health Centre and Adam Avenue Clinic with the three Airdrie GP practices that are currently in their own unsuitable private premises is a major opportunity and is identified as a key step in integrating whole service provision within the area. Additionally the new facility will provide flexible accommodation, which will be allocated in conjunction with acute service providers to enhance the level of acute service available locally on a planned and direct access basis. .

Traditionally GP practices in Airdrie have attracted patients from the whole of the geographical area and therefore co-locating them in one building would not disadvantage patients but is widely regarded as a move which improves patients' accessibility to a wider range of other services.

In addition there is an opportunity to develop a wider partnership approach with North Lanarkshire Council to provide a primary care resource centre in Airdrie. This 'Joint Future' approach is fully endorsed by the Scottish Executive. A series of meetings have taken place between NHS Lanarkshire and North Lanarkshire Council to discuss possibilities and an agreement has been reached on significant co-location with social work and in particular integrating health and social work teams.

Clinical Need

The lack of space in the existing accommodation has restricted the range and volume of clinical services that are available. In recent years, developments in healthcare provision and the attachment of community nurses and mental health teams to GP Practices have resulted in improved team working and integration of services. At the same time, such developments have resulted in increased demands for accommodation, which the current locations cannot provide. Another area of concern is the lack of treatment room accommodation: this causes severe congestion, resulting in delays and longer waiting periods for patients. This situation not only impacts on the quality of the service within the current models of care but seriously inhibits the further development of Primary Care based services in keeping with delivery for health.

The existing health centre no longer has an adequate number of consulting rooms for the number of general medical practitioners in Airdrie. GPs are forced to share clinical areas with GP colleagues, visiting consultants and nursing staff and this reduces efficiency and the availability of appointments and also results in a fragmented service.

Proposed Outcomes – Benefits to Patients

The re-provision and redesign of the primary/community facilities in Airdrie will enable people to access a wider range of community-based health and social care services, assessment and support and advice within a purpose built centre.

Improvements to accommodation will reduce waiting times and will enable more informal access to a range of services including an increase in direct access clinics. There is also the opportunity through the co-location of staff to improve integration, offering a more seamless service to patients. The opportunity of co-location with social services can supplement the provision of a whole range of Community Care Services. Close physical proximity would provide increased opportunity for informal knowledge sharing and work co-ordination. The improved accommodation will also provide the opportunity to ensure that facilities and procedures are fully compliant with Glennie decontamination standards and that room configurations and workflows are designed to ensure the prevention of healthcare associated infections.

The main entrance to the existing facility is not Disability Discrimination Act compliant and is not easily accessible to the elderly or disabled persons. Access from the pavement is severely restricted at all times due to congested and indiscriminate parking. Public and disabled person's car parking is remote and heavily used; it is a shared facility, with the hospital, and does not provide facilities for the disabled or young mothers and children. Parking at the new site will be designed to comply with requirements of the Disability Discrimination Act

This new facility will provide better patient access to healthcare services than is currently the case.

Background

There are six GP practices currently operating from Airdrie Health Centre, one practice in Adam Avenue Clinic and a further four practices operating from private premises in Airdrie. The new development will provide purpose built premises for ten of these practices who have confirmed their desire to be included within the new facility. The eleventh practice currently enjoys a high standard of accommodation and re-providing accommodation for this practice would serve no purpose. The ten practices that would be included in this project currently serve a population of over 44,000.

Airdrie Health Centre was constructed in 1973 and is within the Monklands District General Hospital site and provides a significant range of health services. The building is single storey of fairly lightweight construction having brick and block external walls, partly rendered, with metal stud internal partition walls and a flat felted roof. Adam Avenue Clinic, which is of similar age and construction to Airdrie Health Centre, also provides an extensive range of services and is located centrally within Airdrie. Both facilities are significantly compromised in terms of space provision and this routinely results in operational difficulties for both staff and patients. Both facilities are no longer fit for purpose and are unable to meet current clinical requirements. Under the Statement of Fees and allowances the minimum area the practices would be entitled to would increase significantly in the proposed Airdrie Primary Care Resource Centre. The impact of co-location and service integration is that practices will benefit from shared common areas, which will optimise flexible space usage.

NHS Lanarkshire's strategy for the provision of future health services has been shaped by the Picture of Health process, which will result in significant reconfiguration of services within the acute and primary care settings. Work on identifying the future acute service configuration on the Monklands site has identified the need for major rebuilding and refurbishment. Further development on the Monklands Hospital site will not fully address the existing inadequacies with the premises at Adam Avenue, with the privately owned GP premises in Airdrie, and the transfer of the health centre services to a new purpose built location off-site is key factor to facilitate the effective redevelopment of Monklands Hospital.

The following table highlights the current space availability and the requirements of each practice if they are assessed on an individual basis:

<u>Practice</u>	<u>Location</u>	<u>List Size (as at 01/04/06)</u>	<u>SFE Area m²</u>		<u>Actual Area m²</u>	<u>Current R&R Total</u>
			<u>Min Area</u>	<u>Max Area</u>		
Dr Glen & Partners	Airdrie Health Centre Caldercruix	3696	294	483	130	23,353
Dr Zaman	Aitken Street	980	199	271	119	5,381
Dr Clements	Adam Avenue	7576	618	718	252	8,242
Dr Carlin	East High Street	1949	199	271		8,142
Dr McIntyre	Airdrie Health Centre	3942	406	483	130	5,104
Dr Lough & Partner	Airdrie Health Centre	3616	294	360	125	
Dr Hamilton & Partner	Bank House	3778	406	483		15,378
Dr Walker	Airdrie Health Centre	2041	199	271	96	2,017
Dr Lees	Airdrie Health Centre	1841	199	271	413	45,973
Wellwynd	Airdrie Health Centre	13774	967	1094		

The services provided by these GP Surgeries from the above locations include:

General Medical Practice	Family Planning
Paediatric Occupational Therapy	Audiology
Speech and Language Therapy	Enuresis / Continence Service
Podiatry	Citizen's Advice Bureau
Child Health and Surveillance	E.V.A. (Ending Violence and Abuse) Project
Dietetics	Community Dental Services
Health Visiting	Parentcraft
Leg Ulcer Clinic	Counselling
Immunisation Clinics	Antenatal Clinics
Psychology Services	Maternity Assessment Centre
Mental Health	Breastfeeding Support Group
Learning Disabilities	Well Woman
Paediatric Physiotherapy	Adult Physiotherapy
District Nursing	School Nursing

Strategic Context

The aim of NHS Lanarkshire is to improve the health of the population of the people of Lanarkshire. This is reinforced in the Local Delivery Plan, and through the recently approved 'Picture of Health' Strategy.

The capital cost associated with a new Airdrie Primary Care Resource Centre has been identified and included in the Health Boards Health Plan and Five Year Financial Plan and are consistent with the Estates Strategy.

NHS Lanarkshire is committed to developing modern accessible facilities that are designed for purpose and that support the implementation of the Kerr Report and the objectives of the Joint Future agenda. "Delivering for Health" presents a huge opportunity to redesign our service and meet the challenges of the local population, recognising the growing demands for locally based health care for people with long term conditions. This proposal will support the aim of developing locally accessible services.

A partnership approach with North Lanarkshire Council for the provision of a Primary Care Resource Centre in Airdrie was seen as an excellent opportunity to pursue joint working further. As a result, a series of discussions have taken place with North Lanarkshire Council Director of Social Work and the Local Area Manager to review the options for joint working that could become possible through the development of an integrated healthcare facility. A number of scenarios have been considered and an agreement reached on relocation of the Early Supported Discharge Team and Community Mental Health Team. Both NHS Lanarkshire and North Lanarkshire Council believe that the new facility will enhance joint working and will deliver specific benefits to service users, health and Local Authority providers. The key benefit will be the establishment of a centre of excellence, which will enable patients to access a range of key services with an integrated facility which is easily accessible.

Service Specification and Benefits

One of NHS Lanarkshire's major objectives in its health centre development programme is to provide a single location, for a defined area, from which GPs, other appropriate primary healthcare providers, Child and Family Psychiatric Clinics, Community Mental Health Teams and the local authority Social Work Services could be based. In recent years, developments in healthcare provision and the attachment of community nurses and mental health teams to GP Practices have resulted in improved team working and integration of services. At the same time, such developments have resulted in increased demands for accommodation, which the current facilities in Airdrie have not been able to provide.

The existing Frail Elderly Care Teams, Community Mental Health and Addiction Teams are located in a number of leased premises throughout the Airdrie area are remote and isolated from the General Medical Practices in Airdrie. The proposed new building would allow for a much more multi-disciplinary team centred approach to the delivery of healthcare than is currently available. This supports provision of easily accessible services available locally.

A new custom built facility designed to meet modern standards for space and offering scope for future change and expansion is a significant step forward from the present range of ill suited premises. Functionally suitable accommodation relieves pressure on staff time and resources, allowing more time to be spent productively with patients.

An objective for the new development is to base it as centrally as possible: the site of the existing health centre is approximately two miles from the town centre of Airdrie.

It is acknowledged that developing all services on one site will mean this is one of the largest health centres in the U.K.; however it is felt that the significant benefits of a single location far outweigh any problems with the overall scale of the development. The services for over 65% of the population are already currently provided from a single site and every practice in Airdrie attracts patients from across the entire, but compact, geographical area. A single site would give all the practices the benefits of the immediate availability of health and social work professionals in one building.

Clinical Benefits

The number of General Medical Practitioners in the existing facility exceeds the available number of consulting rooms and as a result GPs share accommodation with other GPs, visiting consultants and nursing staff, resulting in a fragmentation of the service. The new developments will provide a dedicated consulting room for every GP with accommodation for students and research assistants. The improved working environment will greatly impact upon the efficacy of the medical practitioners, which will manifest in an improvement to patient care. The improved accommodation will also provide the opportunity to ensure that facilities and procedures are fully compliant with Glennie decontamination standards and that room configurations and workflows are designed to ensure the prevention of healthcare associated infections.

The six GP Practices occupying the existing health centre share the use of three treatment rooms. Patient flows are severely inhibited by this lack of accommodation which disrupts efficient working practice, leads to delays in treatment and results in extended waiting times. The proposed development will address this problem.

Project Objectives and Scope

This project addresses the deficiencies in the current facilities at Airdrie Health Centre, Adam Avenue Medical Centre and surrounding private GP surgeries. It also acknowledges the high ratio of single-handed practitioners and that by relocating them into one facility, there are opportunities for future proofing and ensuring continuity of service provision, in particular the opportunity to integrate single-handed practices results in significant benefit in terms of more efficient use of shared/common areas.

This project acknowledges that there has been considerable development in healthcare provision and activity in recent years and that the existing premises, all of which still retain their original size and physical characteristics have not been able to cope. The lack of space is restricting the range and volume of clinical services that can be provided. More and more, services are provided by multi disciplinary teams operating together to provide better continuity of care. It is acknowledged that the co-location of these separate disciplines provides benefit to patient care.

The Appraisal Process

The following sections of this Outline Business Case provide details of the benefits, costs and risks associated with each option considered and the rationale for the selection of the preferred option.

In order to develop a short list of options for the full option appraisal process a long list of options was identified and subjected to a range of criteria (objectives and constraints) to

clarify which options best fulfil the requirements of the project and should therefore be considered in more detail.

The objectives of this proposal are:

- To provide a significantly better standard of accommodation than is currently available
- To improve the range and quality of services that are locally available
- To enhance the development of seamless services
- To improve accessibility to the extended community and primary care team
- To address issues of statutory compliance including DDA, fire, health & safety

The Constraints of this project are:

- Options must be feasible within acceptable limits of both cost and time taken to acquire a suitable land site
- Options must be compatible with existing estates and service strategy
- Options must provide sufficient flexibility for future expansion of services (future proofing)
- Proposed sites must secure planning approval that ensures completion and operation within a reasonable timescale

Options Considered

The potential for extending and upgrading any of the existing facilities is minimal. Problems associated with the current facilities include the size of consulting rooms, the limited number of other clinical rooms, the lack of physical separation between practices and very poor security control. Additional problems consist of poorly lit, low ceiling, deep plan rooms, patient waiting areas and corridors together with inadequate ventilation. As well as being sited on a very constrained site Airdrie Health Centre has major car parking problems and is not easily accessible to elderly or disabled persons. A significant number of the other GP premises are not DDA compliant.

All of these factors make it extremely difficult to provide a fit for purpose multi – disciplinary health/social care integrated facility at the current locations.

Long List of Options

The long list of options is as follows:

- A. Extension to Existing Airdrie Health Centre
- B. New build/redevelop on Monklands site
- C. New Build, Hallcraig Street
- D. New Build Central Park – Bowling Green Site
- E. New Build Central Park – Football Pitch Site
- F. Two New Build Sites in Airdrie
- G. New Build, Graham Street Town Centre Site
- H. New Build – Greenfield Site
- I. Minimum Upgrade to Existing Premises
- J. Leased Option - Benchmark

The following options were considered but not short-listed:

A. Extension to Airdrie Health Centre

A firm of architects and surveyors was commissioned to undertake a space planning exercise to assess the feasibility of accommodating the space requirements of the occupiers of the health centre. The architects were briefed to identify the needs of all users, quantify requirements for additional area, identify scope for expansion and prepare estimated development costs. A development control plan was prepared, which would allow for a phased upgrading and extension of the premises to satisfy cash-flow criteria and maintain continuity of service. The outcome demonstrated that the internal accommodation requirements for the current users of almost 3,000 m² could not be provided. However, by constructing upwards the greater part of the additional space needs could be achieved and an additional 900 m² of accommodation would be provided.

The structural works are such that there would be a very significant disruption factor to the site during construction and the building would have to be decanted. As the external access problems would remain unresolved major difficulties were anticipated with the local authority planning department who required additional parking facilities as part of the project.

The proposed redevelopment would afford the opportunity to redesign the premises to suit the needs of the various users but access and parking would remain a very significant problem.

Implementation of the “A Picture of Health” proposals will result in significant redevelopment of the entire Monklands site, and it would be virtually impossible to undertake a redevelopment of Airdrie Health Centre in isolation from the other developments on the site. Indeed it would be detrimental to the rebuilding of the site as it would significantly constrain the space available.

B. New Build/Redevelop on the Monklands Site

The feasibility of a new build or redevelopment of the decommissioned College of Nursing on the existing site of Monklands Hospital was considered and a feasibility study has been undertaken to consider this option.

However, more recently NHS Lanarkshire has reached the view that it cannot sustain its acute clinical services (in particular critical care) on 3 acute DGH sites. Through the “A Picture of Health” consultation process it consulted on retaining two Level 3 sites and one Level 2 site. In evaluating these options a feasibility study was commissioned to determine the impact and practicality of Monklands being redeveloped as either a Level 2 or Level 3 site. Due to the nature of the existing building and the need for significant upgrading to its core services, coupled with up to date planning and public expectations, it has been established that irrespective of whether Monklands was Level 3 or Level 2 it would require a significant degree of reconfiguration and therefore substantial decant within the site would be required. It may be that at the end of this process space would be available on the site but this is likely to be in 8 to 9 years time.

In view of this, and the timescale required for the new Primary Care Resource Centre, this option and option A would not be feasible. Indeed the redevelopment of Monklands would be more easily achieved if the Health Centre were to move off the site.

C. New Build Hallcraig Street

The option of developing on a site in Hallcraig Street was explored in some detail with North Lanarkshire Council Planning Department.

This is a central location, readily accessible and close to the town centre. However, its use would involve the Council relocating a busy car park and a number of small industrial units on the site. Use of this site would also require the compulsory purchase of a private business concern. These issues would add considerably to the cost and also to the timescale: the site would not be available for between three to five years.

D. New Build Central Park - Bowling Green Site

This site is somewhat remote from the town centre and is likely to have traffic access problems. There are a number of development constraints, particularly the need to relocate the bowling green and the presence of a large culvert through the site, which will need to be diverted.

In addition, whilst the Council owns the land, it is covered by “common good” restrictions, which will require an application to Court to remove them. The

Council's legal department have indicated that this could take several years to resolve.

E. New Build Central Park – Football Pitch Site

This site is more remote than the other options and is arguably unacceptable for this reason. As with the other Central park site, there are similar issues in relation to traffic access and the “common good” legal restriction on the use of land.

F. Two New Build Sites in Airdrie

The option of developing two sites in Airdrie to re-provide the current primary care services, described above, was investigated. Providing services from two sites would only increase access to the population, provide patient choice and reduce possible car parking issues that could be associated with large-scale usage of one site if both sites provide the same range of services.

A number of options for allocating the services between two proposed sites were considered including:

- 2 similar units each providing GP services and the full range of AHP services
- 2 similar units each providing GP services and differing AHP services
- 2 units of differing sizes each providing GP services but centralising AHP services within one unit

The first option simply results in the duplication of facilities which will not allow any benefit for economy of scale to be realised. Additionally there are serious reservations that all of the AHP services can be satisfactorily provided in a duplicate manner. Neither of the other two options will fully meet the service demands of the patient population as access to services is likely to be dependant upon proximity to patients home address. Additionally the benefits of economy of scale will not be realised and few patients would be able to access all required services at their local facility thus requiring a visit to the other unit.

Short Listed Options

The following options have been short-listed:

- G. New Build, Graham Street, Airdrie,
- H. New Build, Greenfield Site, Public Sector Comparator
- I. Minimum Upgrade to Existing Premises
- J. Leased Option - Benchmark

G. New Build, Graham Street, Airdrie,

This site is centrally located and would place a new integrated healthcare facility in the heart of the town on the main precinct. It would provide the opportunity to deliver accessible and integrated services in a community resource. It would help regenerate an area of the town that has begun to deteriorate. Public transport links are good and there are opportunities to provide adequate car parking. This site is acceptable to the Social Work department for the co-location of integrated services with health and the site is adjacent to the main Social Work offices that provide the majority of Social Work services for the Airdrie area. Due to the size of the building footprint available to be developed, any facility built here would have to be over several levels, but initial design work demonstrates that the building could work well and resolve all the issues of space access and functional suitability.

This new build option would provide accommodation for all the identified services in line with their strategy for patient care. On the same site, as well as the health and social care requirements, the developer will construct other office and retail accommodation for lease. This would future proof the health development, as it would provide potential space for expansion at a later date in an adjacent building.

This option would also leave the current site unaffected during construction. Once the facility was completed, the original building at Monklands hospital could be demolished, facilitating site redevelopment, and Adam Avenue Clinic would be sold.

The advantages of this option are:

- A building project could be achieved that would comply with the latest design criteria and fully satisfy patient and user expectations.
- The project would allow integration of General Practitioner, Primary Care and Local Authority services and extend provision of locality based services, and where appropriate allow the provision of consultant-led services.
- The environment would be new, user friendly and designed for life cycle costing.
- No decanting would be necessary during construction.
- Access to parking will be improved.
- Access would be substantially improved with a town centre site.
- The development would enhance the amenity and appearance of the town centre.
- The site is adjacent to newly constructed social work office accommodation

The constraints of this option are:

- The new site is divorced from a general hospital service but is within one mile of Monklands.
- A developer already owns the site and therefore any agreement would be through negotiation with this developer.

H. New Build, Greenfield Site, Airdrie,

NHS Lanarkshire has investigated the possibility of building this development on a suitable green field site as close to the centre of Airdrie as possible. As a result of the extensive consideration of a range of sites, it is recognised that this site would in practice not be central and would be on the outskirts of Airdrie, probably to the north or east.

The advantages of a green field site are:

- A building project could be achieved that would comply with the latest design criteria and fully satisfied patient and user expectations.
- The project would allow integration of General Practitioner, Primary Care and possibly Local Authority services.
- The environment would be new, user friendly and designed for life cycle costing.
- No decanting would be necessary during construction.
- Access to parking will be improved.
- Land may be available for future expansion if necessary

The constraints of this option are:

- A site outwith the town centre is not be acceptable to social work and the opportunity for the co-location of services would be lost.
- The location would not be central to the population served.
- Services would be less accessible: by public transport, it may involve patients changing buses.
- No appropriate site has been identified and therefore this option would take longer to implement.

I. Minimum Upgrade to Existing Premises

It is recognised that the general environment and level of accommodation to the health centre's users and patients attending privately owned premises has become unacceptable and whilst services are continuing to be provided and the buildings will continue to be maintained to at least their present standards, quality and satisfaction for patients and staff alike are falling. Staff within Airdrie Health Centre no longer feel that they can satisfy patients expectations and demands and General Practitioners are constrained by their working environment. It would be difficult to overstate the level of frustration experienced by the health centre users around the continued use of such inadequate premises.

This option would not achieve any improvement with the current problems being experienced by the health centre users with respect to functional suitability and shortage of space and would not address the problems within privately owned premises. There would be fairly significant disruption to the health centre during any reconstruction and repairs that includes a new roof, and upon completion the options for future expansion and redevelopment would remain as severely limited as they are now. Whilst the disruption within the building would be minor, the health centre users are unlikely to benefit significantly from this process. Additionally this option could seriously compromise the redevelopment of the Monklands site.

This option is not considered an acceptable solution for the continued provision of services from these premises.

This Option has been retained for reference purposes only.

J. Leased Option – Benchmark

A detailed assessment of the potential to enter into an agreement with a developer to lease premises, with the developer providing all facilities and maintenance services was developed as a benchmark. Current External Audit advice is that, as the building would be constructed specifically for use as a health resource then the NHS would have to pay capital charges in addition to lease costs even although NHS Lanarkshire would not own the facility.

The District Valuer was asked to assess the options of leasing or capital purchase on this site.

The Leased Option is included as a benchmark for comparative purposes.

Consideration of PPP / PFI

The opportunity to explore PPP/PFI would only be available to that of a greenfield site. Option H, Graham Street, is already owned by a developer and as such the only options available are leasing and Capital Build, with the developer undertaking the capital build.

It is recognised that this is not a conventional list of options however we have used the District Valuer to ensure that value for money is achieved (see Appendix A).

Non-Financial Benefits Appraisal

A key component of any formal option appraisal is the assessment of the non-financial benefits that are likely to accrue from the options under consideration. Stakeholders were invited to participate in this benefit appraisal in an open and transparent environment in order to assess the options fully and fairly.

The benefit appraisal had three main stages:

- Identification of the benefits criteria
- Weighting of the benefits criteria
- Scoring of the short listed options against this criteria

By comparing the non-financial benefits offered by each of these options a distinction is made between these options that assisted in the identification of the overall preferred option.

A benefits appraisal-scoring workshop was held to assess the relative level of benefits delivered by the short listed options. It was attended by the members of the Project Planning Team with relevant GP representation and staff representation in order to include a wide range of views.

The key aims of the workshop were to:

- Establish a common understanding and agreed approach to the benefits appraisal process
- Review and describe the lists of options to be evaluated
- Develop the list of criteria against which each option is to be evaluated
- Rank and weight the criteria using established mechanisms
- Score the options

The Benefits Criteria

The stakeholders who attended the benefit workshop developed and weighted the following benefit criteria:

- Accessibility
- Capacity and future Sustainability
- Integration and Effectiveness of Services/Quality of Care
- Operational and Environmental Suitability
- Staff Recruitment Training and Development
- Timing

The key features of each of the above benefit criteria were agreed as follows:

Accessibility:

- Appropriate access to site in terms of public and private transport links
- Appropriate accessibility for disabled visitors
- Access to the site from the highway, both pedestrian and vehicular
- Car parking issues

Capacity and Future Sustainability:

- Ability to meet current and future demand
- Offers opportunity to utilize staff resources and skills effectively and productively
- Best use of space, staff and resources
- Ability to respond to changes in clinical practices, user requirements, service change and development
- Ability to accommodate an extended range of services
- Provides flexibility for future expansion (identified space)
- Flexibility of internal space

Integration and Effectiveness of Services/Quality of Care

- Develops partnership working between various public service agencies
- Strengthening of partnerships with the Social Work departments
- Develops partnership working between the various healthcare professionals
- Disruption to Current services
- Functionally suitable accommodation relieves pressure on staff time and resources allowing more time to be spent productively with patients

Operational and Environmental Suitability

- Providing buildings and facilities appropriate for users and staff with appropriate functional content, layout and suitability that promotes the use of modern clinical practice & technologies
- Good physical condition and compliance with statutory regulations
- Complies with relevant current and foreseeable guidelines and good practice in terms of layout and room sizes
- Provides a modern, clean and safe environment and facilities

Staff Recruitment, Training and Development

- Provides Scope for Recruiting and retaining staff
- Attractiveness to staff (including location, working environment)
- Provides better training and development opportunities, ability to cross cover

Timing

- Meets timescales of re-provision required, i.e. enables early re-provision

The table below shows the benefit criteria identified with their respective weightings as calculated by the benefit appraisal group.

Benefit Criteria	Weighting (%)
Accessibility	20
Capacity and Future Sustainability	20
Integration and Effectiveness of Services/Quality of Care	15
Operational and Environmental Suitability	15
Staff Recruitment Training and Development	5
Timing	25

Option Scoring

The scoring of the options against the benefit criteria enabled an assessment of the extent to which the potential solutions meet the objectives of the proposed project, but also provided a comparative assessment of each of the options

The benefit scores when contrasted with the lifetime cost (derived from the economic appraisal) provide a means by which the overall value for money for each option can be assessed. This is most commonly measured by the net present cost (NPC) per unit of benefit delivered.

The benefit appraisal group undertook scoring collectively. A score applied against each criterion per site from a range of -5 to +5. This score was multiplied by the weighting to calculate the final score per criteria.

Results of the Non Financial Benefits Scoring Exercise

The following table outlines the individual scores for each option.

	Benefit Criteria	Weight %	Option 1 – Do minimum		Option 2 – Graham Street Capital Build/lease		Option 3 Greenfield Site	
			Score	WxS	Score	WxS	Score	WxS
		W	Score	WxS	Score	WxS	Score	WxS
1	Accessibility	20	0	0	4	80	-1	-20
2	Capacity and Future Sustainability	20	-3	-60	4	80	5	100
3	Integration of Services	15	0	0	4	60	2	30
4	Operational and Environmental Suitability	15	0	0	5	75	5	75
5	Staff Recruitment/Retention	5	0	0	5	25	3	15
6	Timing	25	0	0	4	100	2	50
	Total	100		-60		420		250

Based on these results the ranking of each option is as follows

Option	Description	Weighted Score	Rank
2	Graham Street, Capital Build/lease	420	1
3	New Build, Greenfield Site	250	2
1	Do minimum	-60	3

Analysis of Results

These results show that options two and three provide greater benefits and would provide a much better service than the do minimum option. The option that provides the greatest non-financial benefits is the Graham Street option.

Sensitivity Testing

To test the robustness of the results of the benefits appraisal an assessment of their sensitivity to changes in key variables and assumptions was undertaken. This evaluates what changes occur to the results if assumptions and variables are changed. The sensitivities that were applied to the original scores included:

- Equal weighting to all criteria
- Excluding the benefit scores of the top ranked criterion (Timing)
- Altering the score of the criterion with the greatest scoring range (Capacity and Future Sustainability) so that all options in this criterion scored the same

The result of the sensitivity testing is summarised below with further details provided at appendix E:

Sensitivity Test	Option 1: - Do Minimum	Option 2: - Graham Street, Capital Build/lease	Option 3: Greenfield Site
Original Scores	-60	420	250
Ranking	3	1	2
Equal Weighting of All Scores	-60	520	320
Ranking	3	1	2
Exclusion of Top Ranked Criteria	-60	320	200
Ranking	3	1	2
Altering Score of the criteria with the Greatest Range	0	340	150
Ranking	3	1	2

From the above analysis it is clear that none of the sensitivity tests applied changed the overall ranking from the original position.

Summary of Key Points:

The results of the benefits scoring exercise indicate that option 2; Graham Street delivers the greatest benefits. Unsurprisingly the do minimum option results in the lowest level of overall benefits. The robustness of the results is demonstrated by the sensitivity testing, whereby the overall rankings of the options remained unaltered despite changes to key variables.

Financial Appraisal

The capital and revenue consequences associated with each of the short listed options make up the financial appraisal. This section will also highlight any assumptions that have been made throughout the process. The costs identified in this section form the basis of the financial and economic appraisal of the short listed options. The financial appraisal assesses affordability and the economic appraisal will determine the value for money provided by each short listed option.

Value for money is calculated by measuring the overall costs and comparing this to the non-financial benefit points score for each option.

Key Financial Assumptions

The financial appraisal is driven by key assumptions that potentially have a material effect on the overall operating costs of the new facility. These are:

- Likely Capital Costs
- Projected capital charges
- Revenue Costs (Pay and non pay) associated with the existing services which are to be maintained (e.g. baseline costs)
- Variation in revenue costs (Pay and Non-pay) associated with each of the short listed options

Capital Costs

NHS Lanarkshire, in conjunction with its professional advisors, has prepared capital costs based on an appraisal of the capital requirements of each option derived from the draft schedule of accommodation. Within these estimates certain capital assumptions have been made:

- Costs calculated at 2nd quarter 2006 prices
- The District Valuer has provided a value for money assessment of the cost of the Graham Street option and the Greenfield Site.
- Capital Charges are calculated on the basis of capital cost.
- The final cost of car parking is still to be ascertained and an estimate of the cost is included. This will be firmed up for the Full Business Case.

Option 1 is unable to meet many of the objectives of this project it is not a feasible solution and has been maintained for reference purposes only, therefore no capital or revenue costs have been calculated for it.

A copy of the District Valuer's report on the value for money of the options is provided in Appendix A. This concludes that capital purchase is better value for money than leasing and that the Graham Street option represents value for money.

Option	Description	Total Capital Cost
1	Do minimum	
2	Graham Street, Capital Build	£ 22,968,000
3	New Build, Greenfield Site	£ 19,150,000

Optimism Bias

Optimism Bias is the demonstrated systematic tendency for appraisers to be over-optimistic about key project parameters. In assessing the likely capital costs of the options it is important to consider the impact of optimism bias.

The two main causes of optimism bias in estimating capital costs are:

- Poor definition of the scope and objectives of projects in the business case due to poor identification of stakeholder requirements, resulting in the omission of costs at the initial project costing stage.
- Poor project management of projects during implementation so that schedules are not adhered to and risks are not mitigated.

These factors are distinct from the contingencies built into the capital costs. The contingencies built into the capital costs relate specifically to construction risks. Optimism bias considers the totality of the project.

This business case has calculated a cost of the optimism bias that is associated with this development that has been based on the best available empirical estimates that are relevant to this project and at this stage of the assessment process.

Specific key features can contribute towards reducing the level of optimism bias that is applied to each of the short listed options and these include: -

- Level of Design undertaken
- The degree of work undertaken in relation to output specifications
- The extent of confidence in the capital cost estimates
- The extent of management of generic risks
- The extent of work undertaken to identify and mitigate project specific risks.

In accordance with the Treasury Green Book guidance, an optimism bias of 11.86% has been calculated and applied to the new build construction costs. Detail of the breakdown of contributory factors is included at Appendix C: Optimism Bias. For the purposes of the exercise, the new building and refurbishment within options two and three have been treated as a standard building, in line with the Green Book definition:

“Standard building projects are those which involve the construction of buildings not requiring special design considerations i.e. most accommodation projects e.g. offices, living accommodation, general hospitals, prisons, and airport terminal buildings.”

The building required is not considered to be sufficiently different from any other Health Centre as to be classified as “non-standard”.

Revenue Consequences

The revenue consequences for each short - listed option are substantial, at a total of £1,617,000 for the preferred option. This is mainly because of the vast improvement in the quality of the proposed accommodation, while at the same time increasing the space that these services are provided from as per the current statutory standards.

All of the revenue consequences have been calculated as at August 2006.

Summary of Key Points

The financial appraisal shows that there are significant revenue implications associated with all the options available. This results directly from the level of capital and revenue expenditure necessary to deliver the objectives of this project. The existing costs are disproportionately low due to the low value and poor quality of the existing accommodation. Compared to other recently approved business cases the cost per square metre for this proposed development is actually substantially lower.

Economic Appraisal

The net present value and equivalent annual cost have been calculated as follows:

	Option 2 Capital £000's	Option 2 Lease £000's	Option 3 £000's
NPV	£26,126	£36,048	£22,722
EAC	£ 951	£ 1,312	£ 827

From this it can be seen that option 3 is less costly, however it scores much lower for non-financial benefits and in practise it is still a theoretical option, not capable of early implementation. The Leased Option is included as a benchmark in the above table.

Risks and Uncertainty Appraisal

Risks and Uncertainties

A full appraisal of the risks associated with each option was undertaken. Subsequently a risk management strategy was developed to determine how to best manage these risks. Risk Management is required only in relation to the preferred option and therefore does not take a part in the qualitative assessment. It is however a critical part of the overall risk assessment process.

The process of risk assessment involved:

Risk Identification - To develop a risk register covering key risk areas and individual risks within these areas

Risk Assessment – The options were assessed against the risk register, assessing the impact, probability and exposure using a simple scale (1 low, 5 high).

Risk Quantification – A value was attached to each risk using estimates of probability, impact and timing.

Developing a Risk Management Plan – A risk management plan was identified for the preferred option, including responsible persons and monitoring mechanisms

Risk Identification:

Members of the project team identified six broad areas of risk:

Design and Construction Risks – The requirements of design and construction have an adverse impact on the effectiveness, timescales and costs for the phased delivery of additional physical capability

Capacity and Demand Risks – The proposed solutions cannot support the future likely changes in clinical, service and training demands and related output and therefore have a detrimental impact on flexibility, service delivery and achievement of key targets

Recruitment and Retention Risks – The staffing changes required to implement the solutions adversely impact on the sustainability of service delivery elsewhere.

Timescales – The time and cost estimates associated with the construction and commissioning

Service Disruption – Clinical and clinical/non clinical support services are compromised both in the short and long term. This could include the impact on planned clinical activity being disrupted by more urgent needs

Reputation – Failure to deliver or adequately justify the objectives of the project result in damage to the reputation of key stakeholders

Risk Register

A Risk Register compiled under the above risk headings was developed as a basis for assessing the individual project risks; this was compiled in conjunction with the project team. Details of the individual risks along with a supporting descriptions and a strategy on how to manage these risks are provided as Appendix D.

Risk Assessment

The potential impact of each area needs was assessed and it can be assumed that this can be a constant across all short listed options. Differential risk exposure can be assessed through the likelihood of the risks occurring at each site. This can be assessed using the following scale

- 1 – Low
- 2 - Low/Medium
- 3 - Medium
- 4 - Medium High
- 5 - High

The assessment of the potential impact and the probability of occurrence gives rise to an overall analysis of each of the risk register items for each of the short listed option.

Impact	Probability				
	Low (1)	Low/Med (2)	Medium (3)	Med/High (4)	High (5)
Low (1)	1	2	3	4	5
Low/Med (2)	2	4	6	8	10
Medium (3)	3	6	9	12	15
Med/High(4)	4	8	12	16	20
High(5)	5	10	15	20	25

It is expected that this qualitative risk assessment will identify a number of key risks which are present. This will provide a useful indicator in determining the areas that require the greatest degree of risk management effort.

Results of the Risk Assessment

All Risk areas were assessed across all options. A summary of these is provided in the table below.

Risk Grouping	Option 1 – Do Minimum	Option 2 – Graham Street	Option 3 – Greenfield Site
Design and Construction Risks	93	73	85
Capacity and Demand Risks	47	17	12
Recruitment and Retention Risks	24	6	12
Timescales	4	4	8
Service Disruption	20	5	5
Reputation	25	5	7
Total All Risks	213	110	129
Ranking	3	1	2

Analysis of Results

From the data presented above it is clear that the major sources of risk are due to Design and Construction Risks and to a lesser extent Capacity and Demand Risks.

Option 1, the Do Minimum option scores badly on all of the risk groupings, this again highlights the fact that this option is unlikely to support the strategic objectives of this project, however it does act as a reference position against which the other options can be measured.

As both Options two and three are new build options many of the risks are similar. However as it will take longer to secure a site for option three and the knock on effects that this will cause to the delivery of healthcare in this area Option two (Graham Street) provides the best option in terms of exposure to risk.

Preferred Option

The preferred option that has been determined through the appraisal process involves the development of Airdrie Primary Care Resource Centre at Graham Street. This option has consistently outperformed the other options available in achieving the development's objectives.

This is demonstrated by the following table, which summarises the results of the option appraisal process.

Option Appraisal Measure	Option 1: Do Minimum	Option 2: Graham Street	Option 3: Greenfield Site
Benefits Appraisal	3	1	2
Financial Appraisal			
VFM (EAC per benefit point)		£2,264	£3,308
Risk Assessment	3	1	2

The Leased Benchmarked Option is not included within the above table as it was not included in the benefits scoring exercise. For comparative purposes the benefits of this option has been included at 420 as per Option 2 and the EAC per benefits score would equate to £3,124.

The Graham Street option is the best available location to provide services to the population of Airdrie. Public Transport links via bus and railway services are excellent, far better than any other option and this will encourage more public transport usage. Unlike the Greenfield site option, Graham Street provides the opportunity to co-locate integrated services with social work which will lead to improved co-ordination of the services and will be advantageous for integration and joint working between Health and Social Work

professionals. The preferred location is also adjacent to the main Social Work Offices for the Airdrie area.

It is acknowledged that this site involves a large investment in both capital and revenue however this investment would be required whichever option was chosen. Due to the reasons highlighted in this paper this option provides the best value for money and is cost effective when compared to recent projects that are in the process of being built. This development supports the recent recommendations from 'Delivering for Health' by supporting patients in a community setting, integrating services, and improving local access.

Graham Street improves patient access to services; not only by providing a more accessible location but also by providing fit for purpose facilities that address the current problems that are present in the existing accommodation. The co-location of all GP practices in one building considering the small geographical area of Airdrie would not disadvantage patients but indeed would improve accessibility to a wide range of other services.

Personnel Issues

Due to the nature of this development no significant Human Resources issues are anticipated. As the preferred option described above is a capital build project all staff will remain employed by NHS Lanarkshire, therefore it is not envisaged that this project will raise any issues related to The Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE). The only increase in staffing levels that is expected is due to the need for a concierge/reception service on the ground floor of the proposed facility.

Issues will arise over staff having to transfer their place of work; however NHS Lanarkshire already has HR policies in place to deal with these types of concerns. The integrated social work and healthcare teams have already been established and the opportunity to co-locate them in one building will promote better working relationships between these teams.

Additionally the new facility will enjoy better access to public transport than the existing facilities enjoy and staff have indicated their support for the proposal.

Timetable

The table below sets out the proposed timetable for best case scenario based on a publicly funded procurement route and with OBC Board approval achieved in August 2006

Process	Dates
OBC Health Board Approval	October 2006
OBC Scottish Executive Approval	November 2006

Contract Negotiations	September 2006 - January 2007
Full Business Case Board Approval	December 2006
Full Business Case Scottish Executive Approval	January 2007
Main Contractor Appointed	Spring 2007
Construction	Spring 2007 – Spring 2009
Commissioning	Spring 2009

Project Management

It is the intention of this section to demonstrate that an efficient, robust and competent project management structure has been initiated and is planned to ensure that the desired project outcomes are delivered to the highest quality.

To achieve the desired outcome the project plan will use the following delivery tools and processes –

- Identify the composition and responsibilities of the Project Team/Delivery Group and all associated stakeholders;
- Demonstrate the competency of the Project Team to deliver;
- Identify and evaluate stakeholders’ needs to be embedded in design; and
- Make use of existing best practice.

External advisors may be required to monitor costs and shadow the design and construction team on behalf of NHS Lanarkshire; to provide legal advice; and for property valuation to deal with purchase of land and buildings.

User Involvement and Stakeholder Identification

It is imperative to ensure that the proposed facility meets the high standards of performance required to create an environment that facilitates and assists in the treatment of patients, and that early input is received from potential end users and stakeholders with suitable knowledge and experience to add value to the design process. The following individuals have been identified as being centres of knowledge within their respective fields and will contribute towards the Project Management.

Name	Organisation	Job Title
Owen Watters	NHS Lanarkshire	Airdrie Locality Manager

Graham Johnston	NHS Lanarkshire	Project Manager
Jim Dykes	NHS Lanarkshire	Head of Property Services
Dr Aftab Ahmed	NHS Lanarkshire	Lead Clinician, Airdrie Locality
Bob Shorter	NHS Lanarkshire	Planning & Development Manager
Alistair MacKintosh	NHS Lanarkshire	Head of Primary Care Services
Brian McWatt	NHS Lanarkshire	Management Accountant
Jim Russell	NHS Lanarkshire	Management Accountant
Jan Whiteside	NLC	Social Work Dept
Gordon Laing	NLC	Planning Dept

Progress Achieved since the Initial Agreement

The following progress has been made from the date of submission of the Initial Agreement:

- Outline design appraised by Project Delivery Group;
- Consultation with Local Authority Social Work stakeholders;
- Outline cost estimates compiled;
- Consultation with local authority planning department;
- Scottish Executive Health Department consulted;
- District Valuer Economic Advisor consulted

Conclusion

The outcome of the option appraisal is that the preferred option, delivering best value for money and achieving the greatest benefits, is a capital-funded new build at Graham Street in Airdrie.

Estimated capital costs of the preferred option are £22,968,000, including external and known abnormal site costs, VAT, professional fees, site purchase, equipment and the cost of specialist IT / telecommunication services. Total annual revenue costs for the new build project are £1,617,000 compared with the revenue budget for the existing facilities of £386,000. Through the Full Business Case, these revenue costs will be further scrutinised and an assessment of the level of releasable budget from existing facilities will be made.

Recommendation

The Board is asked to formally approve capital expenditure of £22,968,000 to create a new integrated health facility incorporating 10 GP practices, community mental health accommodation, a range of Allied Health Professional services including podiatry, speech and language therapy, community dental services and local authority social work in Airdrie Town Centre. The capital funding will be provided from the NHS Lanarkshire Capital Allocation.

Appendix A

F.A.O. Jim Dykes
NHS Lanarkshire
Property & Support Services Department
Law House
Airdrie Road
CARLUKE
ML8 5ER

James H Milligan MRICS
District Valuer Scotland South West

Blythswood House
200 West Regent Street
Glasgow
G2 4JJ

Our Reference : 838456/JHM/VBh
Your Reference :

Please ask for : J H Milligan
Tel : 0141 532 7218
Fax : 0141 532 7299
E Mail : scotlandsw@voa.gsi.gov.uk

Date : 22 August 2006

Dear Jim

AIRDRIE RESOURCE CENTRE, GRAHAM STREET, AIRDRIE

I refer to previous correspondence and discussions including my letter of 22nd August re the purchase/lease option and the development appraisal.

I now enclose my value for money report which takes account of Treasury Guidance published on 19th August 2004. It assesses the project to Net Present Value to your Board and compares with a public sector comparator and leasing option. We have checked the construction costs submitted by the developer and confirm they are in line with current building costs given the quality of the specification required.

The Net Present Value takes account of life cycle costs and reversionary value and is not directly comparable with the likely purchase price to your Board as shown in the development appraisal provided with the purchase/lease option.

Yours sincerely

J H Milligan Dip Land (Econ) MRICS
District Valuer Services

Assessment of Value for Money of Airdrie Resource Centre

Scheme Summary

Scheme	AWG scheme ; NHS Facilities. Location Graham Street, Airdrie	Public Sector Comparator on Green Field Peripheral Site	Lease on FRI terms
Summary	5-storey building including basement car park and separate remote ground level car park. Specification as per AWG drawings. Abnormal ground condition costs excluded.	3 storey building including ground level car park Specification as per typical NHS medical facility. Abnormal ground condition costs excluded.	5 storey building including basement car park and separate remote ground level car park Specification as per AWG drawings. Abnormal ground condition costs excluded.
External Works	200 Car parking spaces, available for allocation to NHS	200 Car parking Spaces	200 Car parking Spaces, number allocated to NHS
GIA	6678 m ²	6678 m ²	6678 m ²
Construction Costs, Excludes associated fees equipment, land and VAT. No allowance made for any contaminated land or more expensive foundations due to bad ground conditions.	£10,572,190.	£8,821,638	Nil
£/m2	£1365/ m ²	£1321/ m ²	Nil
Demolition and extra-ordinary works	£300,000	£Nil	Nil
Land costs	£3,600,000	£3,000,000	Nil
Project Management Cost/Developers return	£1,630,828	£1,323,245	£16,599,600
Life cycle costs	£1,367,000	£1,367,000	£ 1,367,000
Reversionary value	-£3,000,000	-£2,600,000	£Nil
NPV	£14,470,983	£11,911,883	£17,966,600

Conclusion

The higher construction cost of the AWG building is due to the higher specification of the scheme. This is due to the height of the building on a restrained site and the quality of the exterior as this is a high profile town centre location and what is seen as a “landmark” building. We are content that the actual costs for this development being £1365/m² are reasonable for the specification of the design. On the information available the proposed development does in my opinion offer value for money in line with current Treasury Guidelines.

Demolition of the existing building has been estimated at £300,000. This is not required in the Greenfield comparator. I have assumed other extraordinary site costs balance out as most development site in the Airdrie area will require some stabilisation or decontamination costs. Therefore the extraordinary site costs included in the development appraisal have been omitted from the value for money comparison.

The land value for the AWG central Airdrie scheme is £3,600,000. I estimate the land acquisition costs for a green field site of 2 hectares to allow for a similar level of car parking on a peripheral site would be £3,000,000. However accessibility would not be as good although the land value should be recoverable as a residual value at the life end of the facility. This figure includes for site servicing required in a green field site. Nevertheless the town centre location adds to the overall costs although operational benefits principally easier access for patients and staff should offset this.

The Project Management Cost, which replaces professional fees in these calculations, is at a fixed 15% of construction costs. In the case of the AWG scheme the cost of demolition at £300,000 has been included.

The Graham Street proposal has an increased cost of some £2,500,000 over a Greenfield comparator. However the quality of the building is higher and there is a more accessible location.

AWG have based their cost on 200 car parking spaces possibly being allocated to long term (assigned to NHS and Local Authority Use). I understand your Board will require 120 on site with a balance of 160 off site spaces.

I have adopted a land area of 2 hectares for the public sector comparator that would allow for up to 280 car parking spaces with associated circulation and landscaping. The construction costs have however been calculated on a like basis i.e. assuming 200 spaces. It may be that the actual construction costs for AWG will have to be adjusted to allow for any provision of extra spaces at or near Graham Street in a remote car park. I have been given an estimate of £7,500 per extra space. The costs for both the AWG scheme and the public sector comparator will have to be adjusted when the final position re car parking is known.

A leasing arrangement would not provide value for money as indicated in the purchase/lease assessment.

Finally all costs and calculations are based on the best estimates currently available. Abnormal site works have been based on a desk exercise only and subject to variation once demolition of the existing building occurs and a full site investigation can take place.

**James Milligan Dip. L. Econ MRICS
District Valuer.**

Financial Costs and Assumptions

Appendix B

Capital Cost Summary	Option 2 Capital £000's	Option 2 Lease £000's	Option 3 £000's
Building Costs	10,572	-	8,822
Demolition	300	-	
Car Parking	250	-	250
Project Management	1,631	-	1,323
Legal & Clerk of Works Costs	500	-	500
Contingency	625	-	507
Equipment	1,500	-	1,500
Optimism Bias (11.86%)	1,802	-	1,473
VAT	2,188	-	1,775
Land	3,600	-	3,000
Total	22,968	-	19,150
Revenue Cost Summary	Option 2 Capital £000's	Option 2 Lease £000's	Option 3 £000's
Full Year Revenue Cost			
Rental Costs	-	1,160	
Facilities inc. Estates & Rates	296	296	296
Telecoms	36	36	36
Security/Concierge	33	33	33
Total Annual Revenue Cost	365	1,525	365
Existing Revenue Budgets	163	163	163
GP Rents & Recovery	55	55	55
Net Revenue Costs	147	1,307	147

Capital Charges Summary

Full Year	Option 2 Capital £000's	Option 2 Lease £000's	Option 3 000's
Depreciation Buildings	298	-	244
Depreciation Equipment	150	-	150
Interest Charge	804	-	670
Total Capital Charges	1,252	0	1,064
Existing Capital Charges	223	223	223
Net Capital Charges	1,029	-223	841
Net Annual Costs Increase	1,176	1,084	988

NET PRESENT VALUE	Option 2 Capital £000's	Option 2 Lease £000's	Option 3 £000's
NPV	26,126	36,048	22,722
EAC	951	1,312	827

Financial Assumptions

The following sets out the financial assumptions used in the financial modelling.

Construction Costs

These have been developed in conjunction with North Lanarkshire Council Housing and Property Services Division with input from architects, based on schedules of accommodation and standard costs per square metre.

Full inclusion has been made for demolition, access roads, car parking, professional fees and contingencies as detailed in the above Capital Costs Summary.

Optimism Bias has been applied to the new build costs but not to equipment.

Revenue Costs

Facilities revenue costs are assumed to be the same for each option on the basis that the floor areas occupied by each will be the same.

The Leased Option is included for benchmark purposes and the annual rental is included at £1.16m p.a. this being the annual rental used in the District Valuer's assessment of Value for Money as include in Appendix A.

Capital Charges

Buildings have been depreciated over 60 years and equipment over 10 years. Interest has been applied at 3.5% per annum. Capital charges are apportioned on the relative costs of the facilities.

No Capital Charges are included in respect of the benchmarked option for the purposes of this appraisal.

Net Present Values

Net Present Values and Equivalent Annual Costs have been calculated on the capital costs (excluding VAT) and the revenue costs (excluding capital charges).

Discount Factor

The effects of inflation have been excluded from all costs except construction, as the impact on the economic analysis will not vary between the options. A discount rate of 3.5% has been applied in calculating the NPVs and EAC's.

Optimism Bias Mitigation Factor Calculation - Standard Buildings

Appendix C

Capital Expenditure

Mitigation Factor	Type	Contribution	Mitigation	Managed Mitigation
Late Contractor Involvement in Design	Procurement	2	70%	1.40
Poor Contractor Capabilities	Procurement	9	80%	7.20
Dispute and Claims Occurred	Procurement	29	50%	14.50
Design Complexity	Project Specific	1	80%	0.80
Degree of Innovation	Project Specific	4	90%	3.60
Inadequacy of Business Case	Client Specific	34	60%	20.40
Project Management Team	Client Specific	1	90%	0.90
Poor Project Intelligence	Client Specific	2	50%	1.00
Public Relations	Environment	2	90%	1.80
Site Characteristics	Environment	2	40%	0.80
Economic	External	11	10%	1.10
Legislation/Regulations	External	3	80%	2.40
Total		100		55.9
Optimism Bias Adjustment	Upper Band Adjustment			24%
				10.58%

Works Duration

Mitigation Factor		Contribution	Mitigation	Managed Mitigation
Complexity of Contract Structure		1	30%	0.30
Late Contractor Involvement in Design		3	70%	2.10
Poor Contractor Capabilities		4	80%	3.20
Dispute and Claims Occurred		4	50%	2.00
Design Complexity		3	80%	2.40
Degree of Innovation		1	90%	0.90
Inadequacy of Business Case		31	60%	18.60
Large Number of Stakeholders		6	80%	4.80
Funding Availability		8	90%	7.20
Poor Project Intelligence		6	50%	3.00
Public Relations		8	90%	7.20
Site Characteristics		5	40%	2.00
Permits/Consents/Approvals		9	80%	7.20
Legislation/Regulations		9	80%	7.20
Total		98		68.10
Optimism Bias Adjustment	Upper Band Adjustment			4%
				1.28%
				11.86%

Total Optimism Bias

Maximum = 28%, Minimum = 3%

GJ

Risk Register

Appendix D

A Risk Register was developed as a basis for assessing the individual project risks, this was compiled in conjunction with the project team. Details of the individual risks along with a supporting descriptions and a strategy on how to manage these risks are provided below.

Risk	Risk Description and Effect	Risk Management
Design and Construction Risks		
Change in Requirements of Stakeholders/NHS Policy Change	The Board may require changes to the design, leading to additional design and construction costs, possibly leading to a delay with additional cost implications and inherent implications for the CIP 5 year spend profile	Regular review meetings should be held. A clear project plan identifying the main objectives of all parties should be devised
Inadequate Design	The design Brief may not provide an adequate basis on which to plan the facility which meets clinical and functional needs	Regular design reviews should be held to monitor design adequacy. This reviews should include relevant stakeholders
Inability to complete Design on Time	The design cannot be completed within the agreed timescales. Additional property costs incurred	Realistic timescale to be developed in agreement with users developers and project sponsors. Risk to be transferred to developer when contract is signed
Design Team Default, Design Creep	The design team fail to deliver the brief set out in the specifications leading to design creep. May put scheme at risk due to increased cost or result in programme delays and scope changes	Regular meetings/reviews of design proposals: early agreement to design solutions. Good Project management procedures to be in place.
Incorrect Time and Cost Estimate	The Time taken and the costs incurred to complete the construction phase may be different from that estimated	Prepare detailed design and bills of quantities. Regular cost and risk review should be held to monitor progress. Risk to be transferred to developer when contract is signed
Incorrect Budgetary Estimate	Additional costs incurred. Project delayed whilst funds are secured, impact upon succeeding year's capital programme.	Prepare detailed design and bills of quantities. Regular cost and risk review should be held to monitor progress. Early negotiations with developer to ensure construction costs are accurate. Risk to be transferred to developer when contract is signed.
Unforeseen Ground conditions	A risk exists that unforeseen Ground Conditions may result in delays	Carry out early site survey to confirm suitability for building. Risk to be transferred to developer when contract is signed
Problems with Utility Connections	Problems may arise with regard to gas, electricity, and water connections. May affect both timescales and price	Need to ensure our requirements are accurate. Due to the nature of this project this risk will be transferred to the developer
Delay in Procuring Site	There may be a delay in procuring the site. May have inherent cost implications. Alternative site may have to be found. Delay to project timescale. Leading to reputational implications for the health Board	Open early negotiations with seller to obtain option on site.
Contractor Default including Failure to Build to design	In the case of a contractor default, additional costs may be incurred in appointing a replacement, and may cause a delay	Regular cost and risk review should be held to monitor progress Need to ensure adequate contract is in place between NHSL and the developer

Poor Project Management	There is a risk that poor project management will lead to additional costs. E.g. co-ordination of sub-contractors could be poor leading to delays because the work of another is incomplete.	Regular cost and risk review should be held to monitor progress Due to the nature of this project this risk will be transferred to the developer, need to ensure adequate contract is in place between NHSL and the developer
Delayed/unobtainable planning approval/building warrant	This may have wider cost implications. Significant delay to project whilst appeal to Secretary of State is made or alternative site found.	Early Discussions with local authority has confirmed planning support for project
Failure to secure adequate Car Parking Agreements	May lead to operational problems for site in the future	Early negotiations, discussions with planning authority, Developer to agree proposals.
Capacity and Demand Risks		
Failure to deliver required levels of performance	Required levels of clinical performance are not achieved resulting in an inability to meet the capacity to the clinical service demands	Early Partnership working with health professionals to ensure accommodation and capacity is adequate for required clinical performance
Unused Facilities and Capacity	Surplus capacity results as anticipated demand does not materialise	
Facilities not Flexible enough to respond to changes in demand	The Facilities is not adequately flexible to allow capacity to be expanded at the rate required due to changes in healthcare	Preparation of a detailed design that has included future service developments. Materials used in construction to allow easier internal re-organisation if required. The development includes additional space that could be leased if required
Inadequate patient environment	The physical environment does not meet statutory, dignity clinical requirements for the patient group	Ensure facilities meet all relevant current standards required.
Failure to secure adequate Car Parking Agreements	May lead to operational problems for site	Adequate Car parking policies to be put in place to ensure smooth running of facility
Staffing Risks		
GP and Staff support for the proposal weakens. Staff unwilling to transfer working location	GP surgeries choose to relocate leading to loss of tenants and underutilised facilities. Staff are unwilling to transfer their working base to the new facility as such gaps and disruption to the service occur.	Regular Meetings/reviews with user groups, Early agreement and contract/letter of comfort with GP's. NHS Human Resources policies are implemented effectively and early
High Staff Turnover resulting in Gaps in service and Disruption	Levels of staff turnover are such that continuity and quality of service cannot be maintained	NHS Human Resources policies are implemented effectively
Timescale Risks		
Incorrect Timing and cost estimates for commissioning	The estimated time required and associated costs for commissioning are incorrect leading to delays and excess costs	Timescales and costs to be agreed with Design Team and Construction Team, and Service Managers
Service Disruption Risks		
Disruption to ongoing delivery of clinical and non clinical services in the short term	The Short term configuration of services compromises the effective operation of the clinical units	IF preferred option is chosen services will continue as at present until services move to new accommodation. Ensure that move will be smooth by including all relevant stakeholders in planning of move.

Disruption to ongoing delivery of clinical and non clinical services in the longer Term	The configuration and co-location of services compromise the effective longer term operation of the clinical units	Regular stakeholder review meetings should be held to ensure operation of co-located clinical services is effective.
Reputational Risks		
Failure to Deliver Key Board Targets	Key targets are not achieved, promises are not kept resulting in damage to the Boards Reputation	Regular review meetings should be held to ensure timescales are being met and targets achieved.
Adverse Publicity resulting from failure to justify levels of investment	The level of capital and revenue investment required to support the changes cannot be justified when compared to the overall benefits	A clear project plan identifying the main objectives of all parties should be devised. To include an accurate cost analysis that is monitored to ensure compliance.

Appendix E

Sensitivity Analysis

Sensitivity One: - Apply Equal Weighting to All Criteria

	Benefit Criteria	Weight %	Option 1 – Do minimum		Option 2 – Graham St Capital Build		Option 3 Greenfield Site	
			Score	WxS	Score	WxS	Score	WxS
		W	Score	WxS	Score	WxS	Score	WxS
1	Accessibility	20	0	0	4	80	-1	-20
2	Capacity and Future Sustainability	20	-3	-60	4	80	5	100
3	Integration of Services	20	0	0	4	80	2	40
4	Operational and Environmental Suitability	20	0	0	5	100	5	100
5	Staff Recruitment/Retention	20	0	0	5	100	3	60
6	Timing	20	0	0	4	80	2	40
	Total	100		-60		520		320

Sensitivity 2

Excluding Benefits from Top Ranked Criteria (Timing)

	Benefit Criteria	Weight %	Option 1 – Do minimum		Option 2 – Graham Street Capital Build		Option 3 Greenfield Site	
			Score	WxS	Score	WxS	Score	WxS
		W	Score	WxS	Score	WxS	Score	WxS
1	Accessibility	20	0	0	4	80	-1	-20
2	Capacity and Future Sustainability	20	-3	-60	4	80	5	100
3	Integration of Services	15	0	0	4	60	2	30
4	Operational and Environmental Suitability	15	0	0	5	75	5	75
5	Staff Recruitment/Retention	5	0	0	5	25	3	15
6	Timing	25	0	0	0	0		0
	Total	100		-60		320		200

Sensitivity 3: - Altering the score of the criterion with the greatest scoring range (Capacity and Future Sustainability) so that all options in this criterion scored the same (i.e. 0)

	Benefit Criteria	Weight %	Option 1 – Do minimum		Option 2 – Graham Street Capital Build		Option 3 Greenfield Site	
			Score	WxS	Score	WxS	Score	WxS
		W	Score	WxS	Score	WxS	Score	WxS
1	Accessibility	20	0	0	4	80	-1	-20
2	Capacity and Future Sustainability	20	0	0	0	0		0
3	Integration of Services	15	0	0	4	60	2	30
4	Operational and Environmental Suitability	15	0	0	5	75	5	75
5	Staff Recruitment/Retention	5	0	0	5	25	3	15
6	Timing	25	0	0	4	100	2	50
	Total	100		0		340		150

**AIRDRIE PRIMARY CARE RESOURCE
CENTRE**

Appendix F

	No Req'd	Area m²	Total Area
SOCIAL WORK SERVICES			
LINCS			
Social Work (x5)	1	30	30
Health (x2) joint funded posts both employed by Health	1	16	16
Team - 25 other members of staff	5	30	150
Total			196
Airdrie Social Work Addiction Service			
Office Accommodation - Project Leader	1	12	12
Office Accommodation (x5)	1	30	30
Total			42
SOCIAL WORK TOTAL (excl allowances)			238
Planning Allowance			
Engineering Allowance			
Circulation			
Total Gross - Social Work m²			
MENTAL HEALTH			
Mental Health/Older Persons			
Comm Psychiatric Nurses (x4)	1	24	24
Total			24
Community Mental Health Team			
Offices	4	12	48
Open Plan Offices	3	24	72
Office to accommodate Team	1	16	16
Admin/Clerical Office	1	24	24
Total			160
MENTAL HEALTH TOTAL			184
GPs			
10 GP Practices -27 GPs (1@7 + 1@20 GP Practices)			2,290
GPs TOTAL (excl allowances)			2,290

	No Req'd	Area m ²	Total Area
PRIMARY CARE			
Speech & Language			
Treatment Rooms (incl Adult Room)	5	16	80
Group Room for 10 people	1	24	24
Office (x6)	1	24	24
Office - Team Leader (x1)	1	11	11
Large Storage area	1	20	20
Podiatry (clinical accom ground floor)			
Treatment Rooms	5	16	80
Nail Surgery Room	1	16	16
Office (x9)	1	36	36
Office (x1)	1	11	11
Records Storage Area	1	11	11
Treatment Room Nurses			
Test Room/Clinette	1	12	12
Vaccine Fridges Room	1	9	9
Dietetics (2 Dietiticians)			
	1	16	16
Paediatric OT			
Paediatric OT Office - Large (x8)	2	24	48
Paediatric OT Offices - Small (x2)	1	12	12
Treatment Room	1	24	24
Equipment Storage Area - Large	1	24	24
Dental			
Dental Surgeries	3	25	75
Equipment Storage Area - Large	1	16	16
Dental Office to accommodate the following staff (x9)	1	36	36
Long Term Store Room	1	11	11
Compressor Room	1	4	4
Physiotherapy (including Paediatrics)			
Physiotherapy Office (x11)	1	36	36
Treatment Cubicles	6	12	72
Treatment Area	1	60	60
Treatment Area	1	24	24
Storage Area	2	24	48
Records Storage	1	16	16

	No Req'd	Area m ²	Total Area
Recovery Area - Shared	1	12	12
Shared Consulting/Interview Rooms Suites			
2suites @ 4 rooms + 1 suite @ 5 rooms	13	12	156
Audiology Sound proof Rooms	3	12	36
Waiting areas 10 Person + wheel chair area + child play area	4	20	80
Disabled WC	4	5	20
Reception/Waiting Area for AHP	1		300
Admin/Reception	1		48
Central Mail Room	1	14	14
Central Engineering Plant Room etc	2		150
General Administration Offices			
Administrator (x2)	1	16	16
Clerical Staff (x4)	1	32	32
Support Staff (x6)	1	48	48
Storage - stationery and archived files	1	36	36
Health Promotion Room & Health Education Storage	1	28	28
Secretarial Support (x3)	1	28	28
Office Accommodation for the following 9 staff			
Public Health Practitioner/Youth Health	1	16	16
Practice Development Nurse/Chronic Disease Nurse	1	16	16
CAPA Co-ordinator/Health Promotion Officer/Project Manager	1	24	24
Smoking Cessation Co-ordinator/Family Planning Co-ordinator	1	16	16
Store - Welfare Foods	1	12	12
School Nurses (x8)	1	36	36
LHCC Board Room (x40)/Training Suite	1	48	48
Other			
Staff Rooms (x2)	2	24	48
Staff WC Facilities (x3)	3	22	66
Patient WC Facilities (x4)	4	17	68
Clinical and Domestic Waste Stores (assumes 4 storeys 2 per floor)	8	8	64
DSRs (x4)	4	8	32
PRIMARY CARE TOTAL			2306

	No Req'd	Area m²	Total Area
Child Health - require storage area			
5 A&C Staff	1	50	50
2 SCMOs	2	12	24
4 CMOs	1	12	12
Records Storage Area	1	48	48
CHILD HEALTH TOTAL			134
OVERALL ESSENTIAL TOTAL (excludes circulation etc)			2624
GPs (excludes circulation etc)			2290
			<hr/>
Total Excl Allowances			4914
			<hr/>