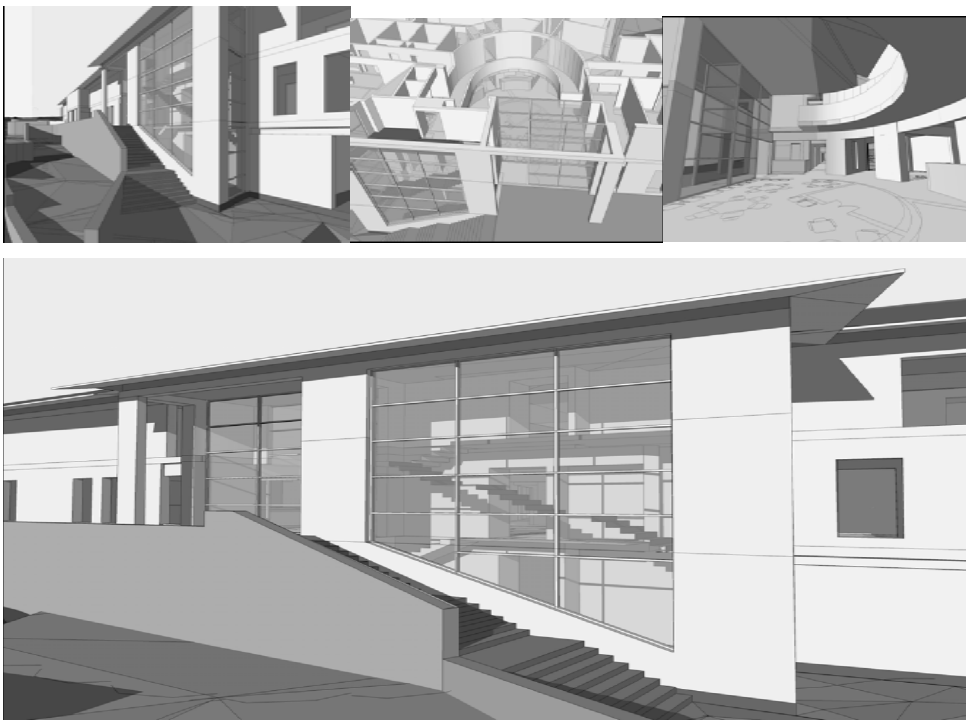




DEVELOPMENT
OF
COMMUNITY HEALTH CENTRE AT CARLUKE

FULL BUSINESS CASE



August 2008

CONTENTS

1	EXECUTIVE SUMMARY	3
1.1	Project Background and Objectives.....	3
1.2	Preferred Solution	4
1.3	Capital	5
1.4	Revenue Implications	5
1.5	Affordability Assessment	6
1.6	Economic Appraisal	7
1.7	Contract Framework, Project Milestones and Timetable	7
1.8	Conclusion	8
2	STRATEGIC CONTEXT.....	9
2.1	NHS Lanarkshire.....	9
2.2	South CHP.....	9
2.3	Deprivation in Lanarkshire.....	10
2.4	Coronary Heart Disease.....	11
2.5	Oral Health.....	11
2.6	Long Term Conditions.....	12
2.7	Mental Health.....	12
2.8	Local Context.....	13
2.9	Summary.....	15
3	REVIEW OF THE OUTLINE BUSINESS CASE	16
3.1	Outline Business Case.....	16
3.2	Short Listed Options.....	16
3.3	Non Financial Benefits Appraisal.....	17
3.4	Financial Appraisal.....	17
3.5	Preferred Option.....	18
3.6	Movements from OBC to FBC	18
4	THE PROCUREMENT PROCESS.....	20
4.1	Introduction.....	20
4.2	Background to the Procurement Route.....	20
4.3	Advertising the Project.....	21
4.4	Pre Qualification Questionnaire.....	22
4.5	Invitation to Tender (ITT).....	24
4.6	Post Tender Interviews.....	25
4.7	PSCP Appointment.....	26
4.8	Involvement of Stakeholders.....	26
4.9	Interaction with the Principal Supply Chain Partner.....	27
5	THE PREFERRED SOLUTION.....	28
5.1	Introduction.....	28
5.2	Project Structure.....	28
5.3	Project Description.....	29
5.4	Key Features of the Design.....	30
5.5	Clinical Functionality.....	31
5.6	Selection of Materials.....	32
5.7	Wayfinding & Interior Design.....	32
5.8	Making Best Use of the Site.....	33
5.9	Flexibility & Future Expansion.....	33
5.10	NEAT-Sustainable Approach to Development.....	33

5.11	Planning Permission.....	34
5.12	Timeline.....	34
6	EQUIPMENT.....	35
6.1	Introduction.....	35
6.2	Equipment Categorisation.....	35
6.3	Equipment Strategy.....	35
6.4	Equipment Procurement.....	36
6.5	Equipment Commissioning.....	36
6.6	Funding of Equipment.....	36
7	CONTRACT FRAMEWORK.....	37
7.1	Introduction.....	37
7.2	Overview of the Contract Framework.....	37
7.3	The Principal Supply Chain Partner and its Supply Chain.....	38
7.4	The Board’s Right to Terminate.....	39
7.5	Reviews and Approvals.....	39
7.6	PSCP Payments.....	39
7.7	Open Book Accounting.....	40
7.8	Setting the Target Price.....	41
8	FINANCE	42
8.1	Capital Cost	42
8.2	Revenue Implications	43
8.3	Economic Appraisal/Value for Money Analysis	44
8.4	Accounting Treatment	44
9	RISK ANALYSIS AND RISK MANAGEMENT STRATEGY	45
9.1	Introduction.....	45
9.2	Risk Management Overview.....	45
9.3	Risk Management Process.....	46
9.4	Current Risk Profile at Full Business Case.....	48
9.5	Risk & The Commercial Framework.....	50
9.6	Board Risk.....	52
10	BENEFITS ASSESSMENTS AND BENEFITS REALISATION PLAN...	53
10.1	Principles	53
10.2	Accessibility	53
10.3	Capacity and Future Sustainability	54
10.4	Integration and Effectiveness of Services/Quality of Care.....	54
10.5	Operational and Environmental Suitability.....	54
10.6	Staff Recruitment, Training and Development.....	54
10.7	Timing	55
11	POST-PROJECT EVALUATION PLAN	57
11.1	Process.....	57
12	CONCLUSION	58
12.1	Summary	58

LIST OF APPENDICES

Appendix A	Forms FB1-4	To Follow
Appendix B	Risk Register	Attached

1. EXECUTIVE SUMMARY

1.1 Project Background and Objectives

1.1.1 The Outline Business Case (OBC) for “The new Community Health Centre in Carluke” was approved by the Scottish Government Capital Investment Group in February 2006. The preferred option identified was for the provision of a new build facility within Carluke town centre on a site owned by North Lanarkshire Council.

1.1.2 The current facility does not allow the delivery of a number of strategic objectives and contractual agreements. These include:

- Objectives set out in the new GMS contract
- Integration of services with partners
- Outreach facilities for Acute services and other partners internally and externally
- Inclusion of General Dental Practitioner
- Ability to move forward in a whole system way throughout the organisation
- Redesigning and implementing services accessible to patients within their own community
- Ability to increase Health Promotion activity
- Improve access to services to patients

1.1.3 This document sets out the Full Business Case (FBC) for the provision of the preferred solution and details how it will be achieved.

1.1.4 The objectives of the project were:

- Continuing provision of local services that meet local needs
- Equity of access to services
- Delivery of a high quality physical environment for patients and staff
- Delivery of a fit for purpose facility which is flexible and adaptable
- Opportunity to address health inequalities
- Opportunity to utilise resources more effectively
- Increase Health Promotion activity e.g. smoking cessation, weight reduction
- More locally based Community and Mental Health services
- Implement the Long Term Conditions Strategy
- Provide training facilities for GP practices and other health care staff.

1.1.5 Implementation of the preferred option will result in the achievement of the following benefits for patients, staff and members of the general public:

- Provision of improved access to Primary Care and community health services that meet the needs of the population and are

- available within the preferred town centre location
- Provision of the opportunity to deliver a greater range of services locally including GP enhanced services and provides access to improved clinical models
- Provision of premises which are fit for purpose, flexible and provide a welcoming environment ensuring compliance with DDA and Glennie Technical Guidance on decontamination.
- Long term solution for health care provision within the Carluke area and stability for service delivery.
- Access to sustainable services by addressing recruitment and retention and therefore ensuring that high quality services can be provided consistently and continuously to the local population
- Provision of improved waiting times by introducing additional capacity beyond that available in the current facilities
- Opportunity to promote improvements in quality and promote flexible working
- Shift the balance of care from hospital based services to locally access services with new clinical models being implemented e.g. Diabetes, COPD, claudication clinics, Outpatient clinics and a number of other clinical models.
- New Horizons (2008) a strategy developed within Lanarkshire outlining the need to enhance Primary Care based capacity and achieve local and national objectives which will include; reducing health inequalities, enhance levels of community rehabilitation and develop seamless and coordinated care for those with long term conditions.

1.1.6 The following changes have been introduced since the approval of the Outline Business Case:

- The opportunity to accommodate a General Dental Practice, relocating from non-compliant premises, has been taken following Scottish Government guidance.
- The strategic context of this Full Business Case has been predicated on the principles set out in the Scottish Government publication Better Health, Better Care and the NHS Lanarkshire local strategy for developing Primary Care services – New Horizons.

1.2 Preferred Solution

1.2.1 The preferred solution is a publicly funded new build facility in Carluke Town Centre, utilising land purchased from South Lanarkshire Council, which will bring together, on one site, primary care and other community based services to improve patient access.

1.2.2 This solution will deliver a modern environment where current clinical best practice is the starting point for continuous improvement and patients are cared for in clean, safe, high quality surroundings that make best use of the resources.

- 1.2.3 The solution will resolve the issue of restricted space within the existing accommodation and enable the introduction of a number of new service models which are being developed locally with clinical staff. The preferred solution is discussed in detail in Section 5.

1.3 Capital

- 1.3.1 The Capital Costs for the new development are summarised in the table below:

	Total Cost
	£000's
Works Costs	10,205
Commercial Risk	695
Target Price	10,900
VAT	1,949
Fees	318
Land	120
Equipment & IT/Telephones	322
Total Project Cost	13,609

- 1.3.2 The target price of £10.9m has been agreed with the Principal Supply Chain Partners (Graham Construction) and includes £0.695 in respect of Commercial Risk. The target price has been assessed by the Board's Cost Managers and confirmation has been received that the defined costs, fees and risk compare favourably with similar recent projects. The Contract Framework is fully described in Section 7
- 1.3.3 The NHS total project cost of £13.609m compares with the Outline Business Case cost of £8.951m. The increase of £4.658m is in line with construction inflation between OBC cost base date of October 2005 and FBC projected cost base date of Quarter 3 2009, together with the additional cost of including General Dental Practitioner facilities within the final design and other re-design alterations to increase the height of the building to accommodate plant and services.
- 1.3.4 Funding for the NHS cost of the development will be from the Lanarkshire NHS Board Capital Allocation.

1.4 Revenue Implications

- 1.4.1 The revenue implications of the new development have been updated from the Outline Business Case using projections from NHS Lanarkshire's Finance and Property & Support Services Departments.

Cost Category	Addition to Revenue Cost
	£000's
Rates, Property & FM Costs	338
Capital Charges	735
Total Revenue Costs to NHS	1,073
Less Existing Budgets	(183)
Net Increase to NHS	890

1.4.2 The overall impact to NHS Lanarkshire of £0.890m noted above compares to an increase in costs within the OBC of £0.467m. The movement can be attributed to utilities and capital charges. Over the period since the OBC there has been a significant increase in utilities and domestic services costs. In addition, the building is now larger than envisaged at OBC stage due to the inclusion of a General Dental Practitioner and the additional capital costs have resulted in an increased revenue impact through capital charges. The length of time between submission of the OBC and the FBC is longer than would normally be expected. NHS Lanarkshire have recognised this and made appropriate provision in their financial plans in the intervening years.

1.5 Affordability Assessment

1.5.1 In testing the overall affordability of the Board's wider capital investment programme, a ten year plan has been prepared. This examines the potential movements in funding levels from SGHD and expenditure assumptions for the period. Whilst recognising the inherent risks which may impact on any future financial projections, and the ability of the organisation to mitigate these, the NHS Lanarkshire Capital Investment Group and NHS Board have concluded that the proposed development of the Carluke Community Health Centre is affordable within the current Financial Plan.

1.5.1 The cash flow profile for revenue and capital costs between 2007/08 and 2010/11 is outlined in the table below:

Financial Year	NHS Capital £000	NHS Lanarkshire Additional Revenue £000
2007/08	241	
2008/09	2,850	
2009/10	10,518	30
2010/11		890

1.6 Economic Appraisal

- 1.6.1 At the Outline Business Case stage, the capital and associated revenue costs of the options were used to carry out an economic appraisal using discounted cash flow techniques in line with Scottish Government Health Department guidance. Where, as a result of inflation and higher utilities costs, these costs have increased for the preferred solution, a pro rata increase has been assumed to apply to the other options.
- 1.6.2 At that time the preferred option was shown to have the lowest Equivalent Annual Cost (EAC) of those options which could deliver the required project objectives. The updated economic appraisal indicates that the preferred solution would still be the option with the lowest EAC

1.7 Contract Framework, Project Milestones and Timetable

- 1.7.1 The project is being administered under the third edition of the Engineering and Construction Contract (NEC 3) Option C with the contractor working to agreed margins and utilising open book accounting.
- 1.7.2 The contractual framework that will underpin the project is set out in detail in Section 7 and provides a summary of the key contractual relationships between the Board and its Principal Supply Chain Partner (PSCP) - Graham Construction.
- 1.7.3 The project for Carluke Community Health Centre is one of four projects grouped together for the purposes of procurement. The other three projects are:
- Caird House - Adults with Complex Needs/Low Secure Unit;
 - Coathill Hospital - Adults with Complex Needs; and
 - Kirklands - Learning Disabilities Assessment Centre.
- 1.7.4 The key dates and milestones associated with this project are detailed in the table below:

Milestone	Target Date
Detailed Planning Consent	June 2007
Target Cost Established	July 2008
Full Business Case NHS Board Approval	August 2008
Full Business Case SGHD Approval	September 2008
Site Mobilisation	October 2008
Practical Completion	June 2010
Service Commencement	July 2010

1.8 Conclusion

- 1.8.1 This FBC sets out the case to support NHS Lanarkshire proceeding with the development of a new facility in Carluke, to provide accommodation for two GP practices, a GDP practice, Community Dental facilities, accommodation for the Community Mental Health and District Nursing Teams.
- 1.8.2 The project will require capital investment of £13.609m, to be funded from the NHS Lanarkshire Capital Allocation.
- 1.8.3 Recurring funding has been set aside from 2009/10 to meet the revenue costs associated with this development and the project has been demonstrated to be affordable within the capital and revenue frameworks agreed by Lanarkshire NHS Board.

2. STRATEGIC CONTEXT

2.1 NHS Lanarkshire

2.1.1 NHS Lanarkshire is responsible for assessing healthcare needs within Lanarkshire and for ensuring that a full range of services are in place to meet these needs. This is undertaken against a background of challenges and NHS Lanarkshire works closely with a range of partner organisations to ensure these challenges are met.

2.1.2 Better Health, Better Care (2007) identified the main challenges to health and wellbeing as being:

- An ageing population.
- Persistent health inequalities between deprived and affluent communities.
- Increasing prevalence of long term conditions.
- Growing numbers of people with multiple conditions and complex needs.
- Promoting a healthier lifestyle.
- Improve community based Mental Health services.
- Providing health checks locally to individuals 45 to 64.
- Improve access and availability of services for our patients.

2.1.3 To address these issues the Scottish Government has set a challenging agenda for NHS Boards and their community planning partners to improve health and wellbeing. Specific targets have been set for improvements in:

- The management of long term conditions.
- Lifestyle factors related to smoking; diet; exercise; alcohol and drug misuse; sexual health and mental health and wellbeing.
- Oral health.
- Access to services within primary and community care.
- Reduction in rates of hospital admissions for older people; for people with mental health problems and for those with COPD; asthma; diabetes or CHD.
- Diagnosis and treatment of a range of mental health conditions.

2.2 South CHP

2.2.1 To address these issues the Scottish Government has set a challenging agenda for NHS Boards and their community planning partners to improve health and wellbeing.

2.2.2 To deliver on these goals NHS Boards and their partners have, at a local level, prepared development and investment plans to improve community facilities to enable GP's; GDP's; and other primary and community care clinical teams to provide faster access to a wider range of evidence based services to meet the needs of people within these care groups. The resultant strategy – New

Horizons (2008) sets out the local response to these challenges. The Carluke Community Health Centre is one of a number of developments that are planned in Lanarkshire to enhance primary care based capacity to achieve these local and national objectives.

2.2.3 The specific objectives are:

- Address and narrow health inequalities gap
- Enhance levels of community rehabilitation
- Improve the patient care experience
- Invest to develop sustainable services which will meet the needs of a changing population
- Delivery of integrated primary care solutions in support of attaining and sustaining the four-hour A&E target
- Reduce the number of emergency inpatients and readmissions for over-65s
- Deliver consistent high quality out-of-hours care
- Develop seamless and coordinated care for those with long-term conditions
- Develop a whole system approach to health care

2.3 Deprivation in Lanarkshire

2.3.1 Poor mental and physical health is both a cause and a consequence of social, economic and environmental inequalities. Risk factors include individual behaviours such as smoking; alcohol misuse; diet and inactivity, together with aspects of the wider social, economic and physical environments that shape such behaviours including educational achievement; income and work status. Within South Lanarkshire there are 60 data zones that fall into the 15% most deprived in Scotland. This is the highest in Scotland and equates to 4.5% of the National share. The Clydesdale locality has some of the most deprived areas in South Lanarkshire. The scale of deprivation in this community presents a significant challenge to NHS Lanarkshire and its community planning partners on delivering on the National aims and objectives set out in Better Health, Better Care.

2.3.2 The Annual Report of the Director of Public Health in Lanarkshire clearly illustrates the impact of deprivation levels on the health status of this community with illness burden being higher than in the rest of Scotland for:

- Coronary Heart Disease
- Long Term Conditions
- Oral Health
- Mental Health
- Substance Misuse.

2.4 Coronary Heart Disease

- 2.4.1 Death rates in Lanarkshire remain above the Scottish average for men and women and for those under and over 65. Whilst death rates are improving over time, the gap between Lanarkshire and Scotland remains. Lanarkshire death rates are consistently around 7% above the Scottish rate. Efforts are ongoing to reduce CHD mortality rates and to close the gap between affluent and deprived communities. These efforts are focused on reducing rates of smoking; providing better care in general practice; improving screening rates for those at risk and increasing drug treatment rates and secondary care interventions.
- 2.4.2 NHS Lanarkshire has three localities – Coatbridge, Airdrie and Wishaw that are involved in the National Keep Well project. By enhancing Primary Care staffing in these deprived areas people with existing cardiovascular disease or those who are at high risk of developing CHD can be identified and treated to reduce their risk of dying at an early age from this illness. Smoking cessation and Counterweight services have also been enhanced to improve on smoking rates and weight reduction. The existing facilities available within Carluke constrain NHS Lanarkshire and its community planning partners' potential to improve capacity in the range and quality of services to tackle this agenda. This new development is essential if we are to sustain the planned growth in evidence based community services which in turn will lead to further improvements against HEAT targets.

2.5 Oral Health

- 2.5.1 In 2005 the Scottish Executive published an action plan for improving oral health and modernising NHS Dental services in Scotland. Its aim was to improve the poor oral health record of Scotland and included a series of targets:
- Improve rate of children registered with a dentist.
 - 60% of 5 and 11 year olds to have no dental decay by 2010.
- 2.5.2 In order to assess progress the National Dental Inspection Programme was established to examine the oral health of children at primary 1 and primary 7. These inspections enable statistical assessment of performance against targets and also places each child into one of three risk categories
- 2.5.3 The results of these studies demonstrate that despite making steady improvement Lanarkshire compares less favourably than the rest of Scotland on both 5 and 11 year olds and are short of the 60% target. It is known that children in deprived areas of Lanarkshire are three times more likely to suffer from severe dental decay requiring urgent dental treatment than their more affluent counterparts within the overall ratings for missing, filled and decayed teeth. The establishment of more facilities for dentists will ensure easier access for patients and improve the dentists: patients ratio.

- 2.5.4 This new facility will enhance the capacity of the community dental service and local GPs to increase the range of services provided and the number of children registered.
- 2.5.5 Additionally, following Scottish Government guidance General Dental Practitioners have been offered the opportunity to relocate to the new facility as this offers the opportunity to provide services from premises which are compliant with DDA and Glennie technical standards. One GP practice has accepted this offer.
- High risk – severe decay and in need of urgent dental care.
 - Medium risk – some decay and should seek dental care in the near future.
 - Low risk – no obvious decay but should continue to see the family dentist for regular checkups.

2.6 Long Term Conditions

- 2.6.1 The Clydesdale Locality is characterised by high levels of deprivation with 3.8% of Clydesdale datazones are in the 15% most deprived datazones in Scotland. This is associated with higher levels of illness burden and poorer health outcomes and cancer, coronary heart disease and cerebrovascular disease are all significantly higher than other parts of Lanarkshire. GP list sizes in Lanarkshire are the highest in Scotland and GP infrastructure is regarded as requiring urgent attention. The proposed development will provide new capacity; will allow development of GP practice services which are pivotal to the delivery of care to patients with Long Term Conditions. Quality and Outcome Framework data shows good levels of practice organisation but prescribing data for cardio-vascular conditions shows a real level of unmet need in Carluke. The challenge is thus to develop capacity within already well organised practices by improving infrastructure. This facility will also allow the implementation of long term conditions collaborative in conjunction with all the health care professionals.
- 2.6.2 This proposal will result in a stronger local infrastructure and will lead to improved recruitment and retention of staff, increased capacity for GP services and will support the infrastructure requirements of the Keep Well programme as it becomes part of mainstream provision.

2.7 Mental Health

- 2.7.1 The strategic drivers for health service improvement are well versed through a number of key documents: Delivering for Mental Health (2006), Building a Health Service Fit for the Future (2005), Delivering for Health – Shifting the Balance of Care (2005) and Better Health Better Care (2007), and these set the context for health care and health improvement including mental health.
- 2.7.2 NHS Lanarkshire through its Mental Health Strategy, incorporated within New Horizons (2008), as well as its Capital Investment Programme, provides the necessary framework and vehicle to support that achievement.

2.7.3 The Carluke Community Health Centre is a significant step in helping us to achieve that aim and will allow NHS Lanarkshire to:

- Ensure that we can re-provide accommodation for community mental health services in Carluke.
- Ensure that we can provide locally the necessary consulting, treatment and group work facilities to allow us to re-balance and provide support, care and treatment in fit for purpose accommodation within the local community.
- Allow the additional investment to Eating Disorder Services to evolve and increase both the capacity and availability of service as per the NHS Lanarkshire Mental Health Strategy.
- Provide additional community based treatment opportunities for substance misuse services.
- To realise the opportunities that shared space can bring with generic and mental health services being able to integrate better and, with good sense, provide a range of services by working together.
- The education and learning space provides additional opportunity for training and upskilling a whole range of individuals.

2.7.4 Good mental health is important to everyone living in Scotland. It underpins the vision for a healthier, more successful Scotland. mental illness takes away opportunity and we need to continue to address the stigma still attached to the subject and ensure that patients, their carers and all who work with them are treated with dignity and respect. Delivering on the commitment set out in New Horizons (2008)) in respect of equality, social inclusion, recovery and rights is central to the vision and success of the plan. This facility will also assist in the implementation of the mental health collaborative in conjunction with health care professionals.

2.8 Local Context

2.8.1 NHS Lanarkshire provides community and primary care healthcare services to the population of Carluke and the surrounding locality from facilities located in the town centre. These are occupied by all of the General Medical Practices in Carluke and provide easy access to the bulk of the population. The current building was constructed in the mid 1970's at which time it was considered to provide highly suitable, purpose designed facilities.

2.8.2 Acute problems of shortage of space and poor functional suitability have developed during the intervening years, originally identified during NHS Lanarkshire's "Estatecode" property surveys of 1996/97. As a result of the major deficiencies found, NHS Lanarkshire undertook an option appraisal exercise, which resulted in a preferred option to re-provide the facility with a new build solution. A major capital project was therefore provisionally identified and included in NHS Lanarkshire's five-year capital plan and estates strategy whilst the search for a suitable site commenced.

2.8.3 Carluke Health Centre was constructed in 1974 on a vacant town centre site that was adjacent to generous local authority car parking. The two storey building comprises a steel frame with brick walls and flat roof. The premises have a total internal area of 1307m² of which the medical practitioners occupy some 480m². The practices therefore have available 26m² of space for every 1000 patients on their lists, which is the lowest figure in Lanarkshire where the average is 50m² per 1000 patients. It should be noted that Lanarkshire has one of the lowest levels of primary care investment and premise provision and so being at the bottom end of the Lanarkshire scale is particularly unenviable.

2.8.4 Carluke Health Centre itself provides an extensive range of services which include:-

- General Medical Practice
- GMPs Diabetics Clinic
- GMPs ECG Clinic
- NHS Lanarkshire Dental Services
- Speech and Language Therapy
- Physiotherapy
- Podiatry
- Child Health and Surveillance
- Dietetics Clinic
- Health Visiting
- Parentcraft
- Immunisation clinics
- Psychology services

2.8.5 There are two GMP practices currently operating from the health centre:

<u>Practice</u>	<u>Population</u>
Dr Stewart	9,940
Dr Workman	5,300

2.8.6 The health centre has been subject to detailed space utilisation and functional suitability studies undertaken jointly by NHS Lanarkshire's Estates Department, Primary Care Division and the Lanarkshire Health Board General Medical G.P. Sub Committee. 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 the health centre, which still retains its original size and physical characteristics. However during recent years there have been considerable developments in health care provision, an increase in patient lists and subsequent activity as a result of demographic changes in South Lanarkshire.

2.8.7 In addition both practices have aspirations to become training practices and the additional accommodation provided will facilitate this.

2.9 Summary

- 2.9.1 In summary the development of a new Community Health Centre in Carluke is consistent with both national and local strategic aims and objectives and will contribute significantly to the modernisation of healthcare facilities and services within South Lanarkshire. The current outdated facilities have long been in need of replacement, while the redevelopment project will provide an effective focus for the provision of healthcare services within Carluke.

3. REVIEW OF THE OUTLINE BUSINESS CASE

3.1 Outline Business Case

3.1.1 The Outline Business case was approved by the SGHD Capital Investment Group in February 2006. At that time, a long list of options had been considered, reviewed and subsequently reduced to a short list for option appraisal.

3.2 Short Listed Options

3.2.1 A range of options were identified and considered against the project criteria. The following options were identified as appropriate realistic solutions and were considered by a range of stakeholders.

3.2.2 Option A - Do Nothing/Minimum Upgrade.

A “do nothing” option was included within the option appraisal for comparative purpose as, in practice, it was accepted that the status quo is unsustainable and an upgrade of the building would not address the fundamental issues around lack of space, functional suitability and clinical adjacency.

3.2.3 Option B – Extend existing facility.

An option to extend the building to provide additional accommodation was investigated fully by Consulting Engineers and this concluded that the maximum additional accommodation achievable was 400m². An assessment of additional accommodation requirements identified that a minimum of 1200 m² would be required to support the delivery of the clinical services described in Section 2. In addition it was noted that the existing building would require to be decanted to temporary accommodation during the construction period due to the nature of the structural works required to support an extension of 400 m².

3.2.4 Option C - New build on the existing Site.

An option to purchase an adjacent site from the local authority and build a Community Health Centre on the combined land was considered and it was noted that this would allow the provision of a purpose built facility in the town centre area that would support the provision of clinical services by NHS Lanarkshire and both GMP’s. The purchase of the adjacent land from the local authority is anticipated to be protracted as the land is currently in use for general car parking. Additionally the entire building will require to be decanted for the duration of the construction period.

3.2.5 Option D – New Build on a New Site

An option to build a Community Health Centre on a new site within the Carluke locality has been developed and a council owned site which meets the criteria of the project has been identified. This would allow the provision of a purpose built facility in the town centre area that would support the provision of clinical services by NHS Lanarkshire and both GMP's. In addition there will be no need to decant the current site during the construction period.

3.3 Non Financial Benefits Appraisal

3.3.1 A benefit appraisal scoring process was undertaken to assess the relative level of benefits delivered by the short listed options. Members of the Project Planning Team with relevant GP and stakeholder representatives participated in order to include a wide range of views. This appraisal identified Option D as the preferred option. The benefits criteria included:

- Accessibility
- Integration of services
- Effectiveness of services/Quality of Care
- Operational and Environmental Suitability
- Clinical Benefits

3.3.2 The benefit appraisal group undertook scoring collectively. A score was applied against each criterion per site and this was multiplied by the weighting to calculate the final score per criteria. The weightings were agreed in advance by group members collaboratively.

	Option A	Option B	Option C	Option D
Benefit Analysis Score	354	557	846	958
Rank	4	3	2	1

Option D is the highest ranked option taking into account non-financial benefits.

3.4 Financial Appraisal

3.4.1 The capital costs, lifecycle net present costs (NPC) and revenue costs of the preferred option at OBC stage were:

- Capital: £8.851m
- NPC: £9.311m
- Additional revenue: £0.467m.

3.4.2 These were robust estimates, with recognition that capital costs would be subject to confirmation through competitive tendering. In accordance with Treasury Green Book guidance, Optimism Bias was applied at 12.56% to the construction costs.

3.5 Preferred Option

3.5.1 At OBC stage, Option D ranked highest overall in terms of the non financial benefits and the financial and economic appraisal. It remains the preferred solution and the delivery of this is described in detail from Section 4 onwards.

3.6 Movements from OBC to FBC

3.6.1 The capital costs for the preferred option, as detailed in the OBC were:

Outline Business Case Costs	Total Cost
	£000's
Works Costs	5,924
Fees	610
Optimism Bias	946
VAT	1,061
Land	120
Equipment & IT/Telephones	290
Total Project Cost	8,951

3.6.2 Since OBC stage, a number of cost factors have increased, impacting on both the capital and revenue implications of the project.

3.6.3 Construction cost inflation from the OBC approval date is included within the FBC at 22.62% to reflect market conditions across the period covered. This uplift is in respect of increases in the building cost indices as advised by NHS Lanarkshire Property Advisors Currie & Brown and represents the increase in the BCIS indices from the OBC base cost date of Q3 2005 and the programme mid point of Q3 2009.

3.6.4 As highlighted in Section 2.5.5 a General Dental Practitioner is now included within the scope of the project. This has increased the net accommodation by 249 m2 and has also resulted in additional equipment costs.

3.6.5 The methodology for computing Optimism Bias was not fully developed at the time the OBC was submitted and utilising the current methodology would add 9 -10% to the figure computed at that time.

3.6.6 The Planning Authority set additional planning conditions (refer to paragraph 5.11.2).

3.6.7 Equipment inflation at 12% has been included in the FBC costs, to reflect movements in RPI since the date of OBC approval.

3.6.8 Overall, the capital price increase from OBC to FBC is £4.658m:

	Increased Costs
	£000's
Construction Inflation from OBC (22.62%)	1,692
General Dental Practitioner	624
Alteration to Building Height	870
Revision to Optimism Bias	554
VAT	655
Equipment and other increases	263
Total Project Cost Increase	4,658

- 3.6.9 This additional sum remains affordable within the context of the overall Capital Plan, although every effort will be made to explore options to manage these costs through the construction phase of the project.
- 3.6.10 In revenue terms, the additional costs have increased by £0.423m. This is largely due to the increase in capital charges attributable to the additional capital cost, and a further detailed assessment and refinement of the facilities costs (utilities, rates, property management). The increase in the recurring revenue investment required has been recognised within the current Five Year Financial Plan, and the project remains affordable, with an overall additional revenue budget of £0.890m. Further detail on revenue costs is set out in section 8.2.

4. THE PROCUREMENT PROCESS

4.1 Introduction

- 4.1.1 This chapter sets out the process, which the Board has followed in securing a preferred 'Principal Supply Chain Partner' (PSCP) and seeks to demonstrate the rigour established by the Project Team and the Project Board.
- 4.1.2 The NHS Board would like to acknowledge the efforts, commitment and professionalism shown by all bidders at each stage of the Procurement Process.
- 4.1.3 This chapter will provide a background to the procurement route and examine the process followed at:
- Official Journal of the European Union (OJEU) Stage;
 - Pre-Qualification Stage;
 - Invitation to Tender (ITT) Stage; and
 - Post Tender Interview Stage.
- 4.1.4 This chapter will also describe the extensive involvement of stakeholders, during all stages of the project and provide a description of the on-going interaction with the PSCP.
- 4.1.5 The project has been procured under all relevant rules of the European Union and copies of all documents issued to Bidders are available, in electronic format, from the Board's Project Team.

4.2 Background to the Procurement Route

- 4.2.1 Current NHS Scotland Guidance contained in PROCODE Version 2 is supportive of long term collaborative framework arrangements and recognises that strategic or term contracting has proved successful in the UK and overseas and that this approach reflects the best practice advocated under recent procurement initiatives. This is reinforced in the Guide to Contract Procedures.
- 4.2.2 Subsequent Guidance on procurement in support of PROCODE advocates the strengthening of team working, innovation and partnership where possible and provides guidance on partnering and framework approaches.
- 4.2.3 The proposed National Procurement Framework for NHS Scotland uses this approach to contracting and this was discussed at a meeting with NHS Lanarkshire (the Board) National Shared Services (NSS) and Health Facilities Scotland (HFS) on 24th April 2007.

- 4.2.4 This meeting explored the potential use of the new framework as a suitable procurement route for the next phase of four community projects to be taken forward by the Board. These projects, bundled together for procurement purposes, included the:
- Carluke Community Health Centre;
 - Caird House - Adults with Complex Needs/Low Secure Unit;
 - Coathill Hospital - Adults with Complex Needs; and
 - Kirklands - Learning Disabilities Assessment Centre.
- 4.2.5 Following discussions with the Scottish Government Health Directorate (SGHD) a decision was taken by the Board to proceed with the four bundled projects on the basis that the national procurement framework would not be in place within a suitable timescale to allow for their inclusion.
- 4.2.6 The contract documents tendered by the Board utilised the same contractual arrangement as the proposed national framework i.e. the third edition of the Engineering and Construction Contract (NEC 3) Option C. with the contractor working to agreed margins and utilising open book accounting.
- 4.2.7 By embarking on this route for the four bundled projects the Board has taken the opportunity to benefit from the advantages of using a partnering approach and has shared lessons learned with HFS ahead of the National Framework.
- 4.2.8 Four teams, which had been appointed under separate arrangements, developed the designs for each facility and submitted planning applications to North and South Lanarkshire Councils.
- 4.2.9 The Board adopted a 'Develop & Construct' procurement which meant that the previous design work was not lost. The contracts for the previous design teams weren't novated as the successful PSCP was encouraged to use designers which they had developed long term working relationships.
- 4.2.10 The existing design team appointments were terminated at the completion of RICS Stage E design, on the basis that each project was terminated in favour of a larger single procurement. The Boards Legal Advisors (McClure Naismith) confirmed that this was an appropriate approach and that the appointments could be terminated by giving reasonable notice in writing.
- 4.2.11 A licence was granted allowing use of the designs, drawing and specifications etc by the successful PSCP and new design team.

4.3 Advertising the Project

- 4.3.1 The Board gave notice of the project through the publication of OJEU Contract Notice number 2007/8 184-22560 dated 25/09/2007.

4.4 Pre-Qualification Questionnaire

- 4.4.1 Pre-Qualification was the first stage of the tender process which led to the appointment of the successful Principal Supply Chain Partner for the four bundled Projects.
- 4.4.3 The financial evaluation of the PSCP's and their supply chains was in accordance with "Constructionline" normal process with the additional requirement of ensuring each PSCP has the financial capability to undertake the expected value of work.
- 4.4.4 Pre-Qualification Questionnaires (PQQ), Memorandum of Information (MOI) and Glossary of Terms were issued to all organisations responding to the OJEU advertisement. The closing date for return of PQQ's was 27 November 2007.
- 4.4.5 The objective of the pre-qualification stage was to reduce the number of organisations being invited to tender to a shortlist of five 5 by using the Evaluation Criteria set out in the MOI.
- 4.4.6 Nine completed PQQ responses, from a total of 29 original enquiries, were returned to the Board. The respondents were as follows:
- Barr
 - Carillion
 - Dawn
 - Grahams
 - Interserve
 - Morgan Ashurst
 - Ogilvie
 - Rok
 - Skanska
- 4.4.7 An evaluation workshop took place and included Board staff representation from capital planning, estates, finance and procurement. The Boards Technical Advisors and a representative from Health Facilities Scotland were also in attendance.
- 4.4.8 The Boards Technical Advisors had prepared a schedule showing the financial details and Supply Chain Member information to assist the team in their evaluation. Following the review of the nine PSCP's responses the team then commenced scoring the PQQ's using the published evaluation criteria and a software package called TEST (Tender Evaluation Scoring Toolkit). TEST was developed by NHS Fife for comparing tenders.
- 4.4.9 The following evaluation scoring criteria was used:
- Technical Merit (50% of total score);
 - Cost Effectiveness/Value for Money (30% of total score); and
 - Quality/Collaborative Working (20% of total score).

- 4.4.10 The scoring was carried out by each member of the team and the results were reviewed individually and then brought together to agree a consensus score.
- 4.4.11 The results of the PQQ evaluation scoring are set out in table below.

PSCP	% Score
Interserve	90.39
Skanska	85.86
Morgan Ashurst	75.13
Graham	72.59
Dawn	71.71
Carillion	70.16
Ogilvie	58.49
Barr	49.39
Rok	Non Compliant

- 4.4.12 The PQQ response from Rok was considered to be non compliant due to the fact that they were not offering a supply chain approach to the procurement.
- 4.4.13 Following discussion on the scores, the team decided that the TEST results for Dawn and Carillion were so close that Carillion could not be excluded at this point and therefore the shortlist of organisation invited to tender should be extended to six.
- 4.4.14 The three unsuccessful PSCP's were informed in writing and offered the opportunity for feedback on their PQQ responses. Both Ogilvie and Barr took the opportunity for feedback on their submissions and they met with the Board and its technical advisors to discuss their submission and the resultant scores.

4.5 Invitation to Tender (ITT)

- 4.5.1 The Invitation to Tender (ITT) documentation was issued on 14 December 2007 and comprised the following volumes:
- Volume 1: Conditions of Tendering;
 - Volume 2/1: Contract Document;
 - Volume 2/2: Works Information/Site Information;
 - Volume 3: Tender Return Documents;
 - Tender Workbook: (pricing information); and
 - CDM Questionnaire.
- 4.5.2 In addition to technical and quality information, tendering consortiums were required to provide commercial data as follows:
- PSCP staff and design rates;
 - subcontractor/consultant staff and design rates;
 - contractor fee %;
 - subcontractor fee %; and
 - priced activities (programme) for Stage 3 (design development) of each of the four bundled projects.
- 4.5.3 Tendering organisations attended a pre tender event on 9 January 2008. This event took the form of presentations by the Board and its Technical Advisors outlining the requirements for tender returns and in particular the completion of the tender workbook. Following a question and answer sessions with each supply chain there was an opportunity to visit the four sites.
- 4.5.4 Tenders were received from the six consortiums, by the Boards Deputy Director of Finance, on 28 January 2008.
- 4.5.5 Each return included all the relevant information to allow a proper evaluation of the tenders to take place, including:
- Volume 3 including Appendices 1 – 16; and
 - Tender Workbook on a CD.
- 4.5.6 Prior to the return date a tender model was prepared to enable comparison of the submissions including staff rates, fees and the anticipated Target Price envelope for each of the four projects within the bundling.
- 4.5.7 An initial review of tender, by the Boards Technical Advisors, identified anomalies requiring clarification. Clarifications were requested from all tendering companies and they were also requested to withdraw those items seen to be qualifications.
- 4.5.8 Following this clarification stage an adjusted tender price from each of the six consortiums was fed into the tender model to generate Stage 3 (Pre-Construction) prices as set out in table below.

Dawn	£529,955.62
Carillion	£690,038.51
Graham	£715,954.36
Interserve	£902,419.77
Morgan Ashurst	£968,606.34
Skanska	£1,173,089.13

4.5.9 At this point there were still outstanding points for clarification from the qualitative evaluation of the tenders. Interviews were held and all six PSCP's were given the opportunity to present and to participate in a question and answer session in relation to their proposals.

4.6 Post Tender Interviews

4.6.1 Post tender interviews took place on 14th February 2008 with each PSCP asked to give a presentation followed by a question and answer session.

4.6.2 The interview panel included Board staff representation from capital planning, finance and procurement. The Boards Technical Advisors and a representative from Health Facilities Scotland were also in attendance.

4.6.3 An evaluation workshop was held on the 15th February 2008 with the same team in attendance and the performance of each PSCP assessed in line with the agreed qualitative evaluation criteria. The final scores for each PSCP are set out in table below.

Result of ITT Qualitative Evaluation.

PSCP	% Score	Ranking
Graham	77.29	1
Interserve	73.24	2
Skanska	64.99	3
Carillion	62.21	4
Dawn	61.10	5
Morgan Ashurst	57.80	6

4.7 PSCP Appointment

- 4.7.1 The results of the qualitative and quantitative evaluations carried out by the Board, assessing the technical and commercial merits of each tender, resulted in a recommendation from the Project Board to appoint Graham Construction as the preferred Principal Supply Chain Partner for the four bundled projects on the basis of the most economically advantageous bid to design and construct the new facilities.
- 4.7.2 This recommendation was endorsed by the Boards 'Capital Investment Group' on 25 February 2008 and the NHS Board on 27 February 2008.
- 4.7.3 Graham Construction was issued a letter of appointment on 25 March 2008 and at the same time the remaining five PSCP's were informed that they had been unsuccessful and offered the opportunity for feedback.
- 4.7.4 Stage 3 (design development) commenced following the ten day mandatory standstill period and there were no challenges during this time from unsuccessful PSCP's.
- 4.7.5 Stage 4 (Construction) will not proceed until Cost Certainty/Target Price for each project is known and approval of a project specific Full Business Case by the NHS Board and SGHD Capital Investment Group.

4.8 Involvement of Stakeholders

- 4.8.1 During all stages of the procurement there has been extensive involvement of NHS and non NHS staff.
- 4.8.2 The participation of users was led by the Project Board and there have been many events, presentations and workshops involving multi-disciplinary clinical and non-clinical staff including Council staff, GP's and local forums representing patients and carers.
- 4.8.3 The involvement of so many staff and users from within the Board and other key stakeholders has ensured that clinicians and non clinicians were at the heart of design development. This has ensured the designs have taken account of existing and emerging clinical models and the needs of the local health economy.
- 4.8.4 Facilities staff have also been involved at all stages and have led the design development of the hard and soft facilities management accommodation.
- 4.8.5 Details of the attendees at events, workshops and meeting etc are available from the Project Team.

4.9 Interaction with the Principal Supply Chain Partner

- 4.9.1 Following the appointment of Graham Construction as Principal Supply Chain Partner a Project Execution Plan (PEP) was developed by the Project Team.
- 4.9.2 The objective of the PEP is to create a planned environment going forward and establishes the key project management arrangements to be adopted throughout the procurement including:
- Project details including roles and responsibilities of the stakeholders;
 - Communication;
 - Meetings, including meetings schedule;
 - Third party approvals
 - Progress reporting
 - Risk management procedures;
 - Design Development and Change Control Management;
 - Health and Safety;
 - Dispute Management; and
 - Programme to Target Price.
- 4.9.3 The PEP is a dynamic document that will be developed and refined in each stage of the project life cycle.


5. THE PREFERRED SOLUTION

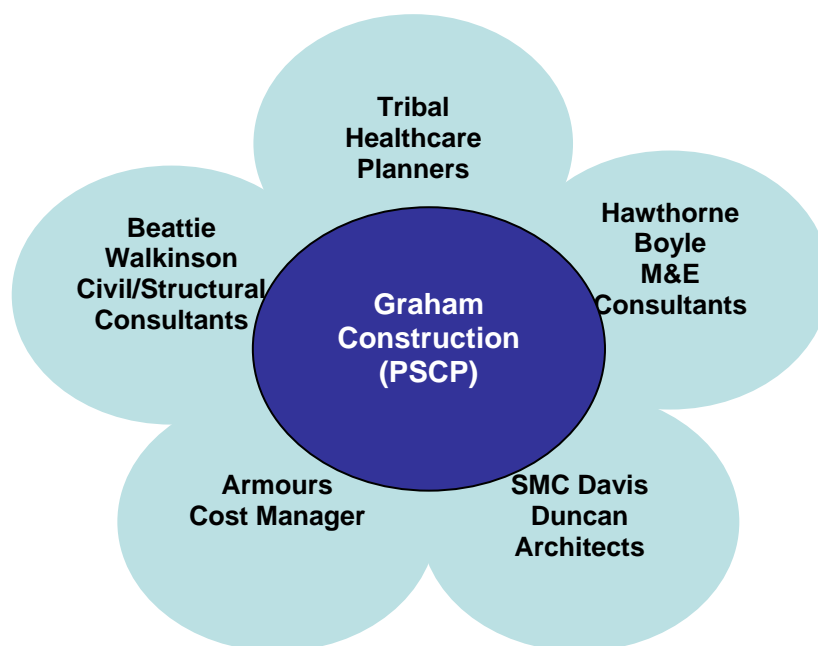
5.1 Introduction

- 5.1.1 The aim of the new Carluke Community Health Centre is to bring together, on one site, primary care and other community based services to improve patient access. The new facility will support the delivery of new services and allow GPs and other clinicians to improve the quality of services to patients.
- 5.1.2 The proposed scheme will deliver a modern environment where current clinical best practice is the starting point for continuous improvement and patients are cared for in clean, safe, high quality surroundings that make best use of the resources.
- 5.1.3 The new facilities will be of a high quality and will provide flexible and adaptable accommodation.
- 5.1.4 The Board will provide all hard and soft facilities management services.

5.2 Project Structure

- 5.2.1 The contract is being let under the New Engineering and Construction Contract (NEC 3) Option C. Following SGHD approval of the Outline Business Case Graham Construction was awarded the status of Principal Supply Chain Partner (PSCP) for Stage 3 i.e. up to Full Business Case approval. The diagram below shows the PSCP and the other key Supply Chain Members(SCM).

 *Graham Construction Supply Chain.*



- 5.2.2 The experience and track record of the PSCP and SCM, in delivering community health services projects and other projects of this size and complexity, are available from the Project Team on request.

5.3 Project Description

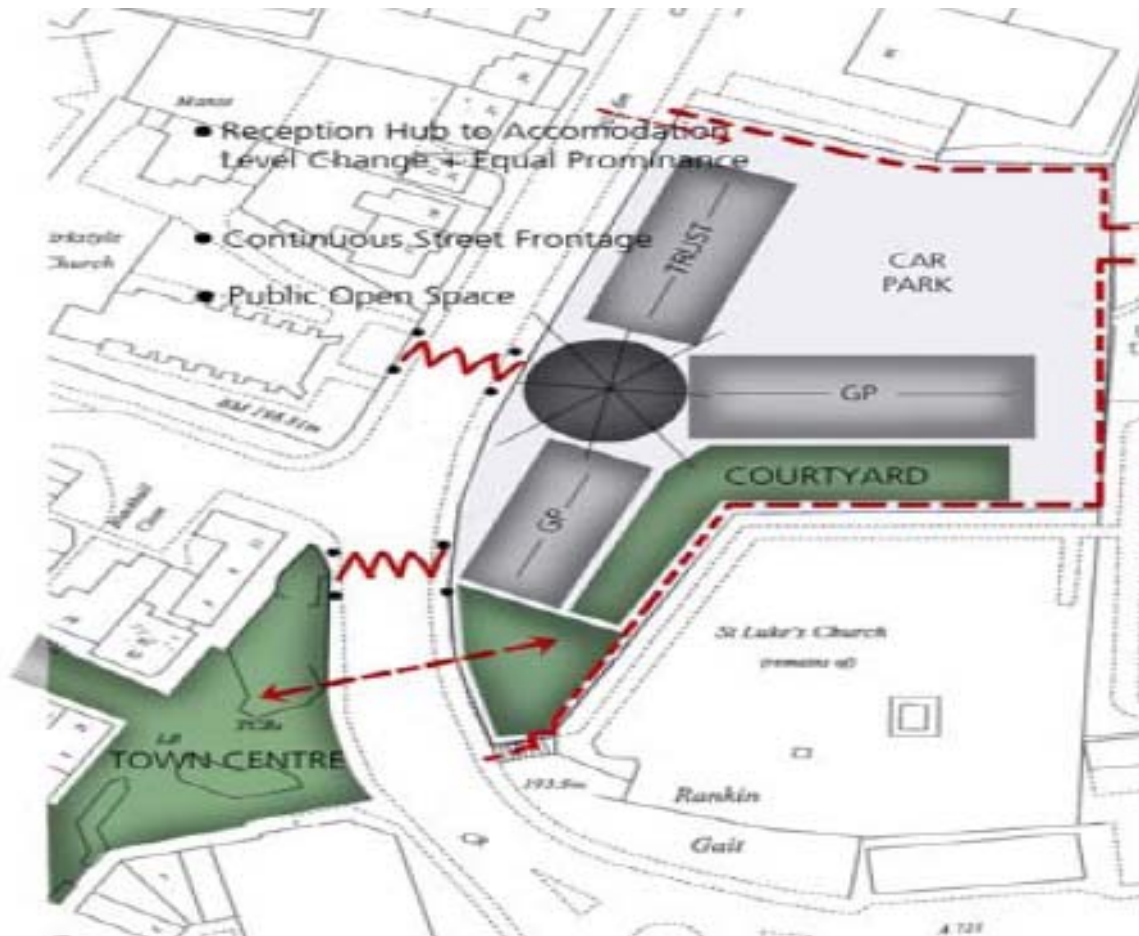
- 5.3.1 The proposed scheme aims to achieve improvements in the effectiveness of clinical services by providing a flexible, responsive and efficient facility to meet local, regional and national imperatives. Drawings and plans of the proposed design are available from the Project Team on request.
- 5.3.2 The proposed facility is located close to Carlisle town centre within easy reach of the local community. The site is currently severed from the main shopping centre and heart of Carlisle by the A721, a main commuter route with a high percentage of through traffic. Additional crossing points and landscaping is used to make a positive connection to the new town square at Rankin Gait, enhancing the Chapel Street/ High Street junction and giving the building a strong prominent position and public image.
- 5.3.3 The development as proposed will comprise a single building with a main entrance hub and communal facilities, two GP Practices, a GDP practice and community services including dentistry and podiatry.
- 5.3.4 The communal facilities will include:
- a main hub with communal waiting and reception area;
 - staff facilities; and
 - public welfare facilities.
- 5.3.5 The two GP practices, providing services to over 15000 clients, will deliver improvements to patient care from non purpose built accommodation. The new GP facilities include:
- dedicated suites of consulting rooms;
 - treatment rooms; and
 - student and research accommodation.
- 5.3.6 The community services accommodation includes space for a wide range of clinical services including:
- consult/exam rooms;
 - podiatry;
 - speech and language therapy;
 - dentistry (2 suites);
 - physiotherapy;
 - adult mental health;
 - health education;
 - alcohol and drugs service; and
 - community nurse team offices.

5.4 Key Features of the Design

5.4.1 Integral to the success of the building is how the main components function independently and as a whole. The design gives a considered response to the surrounding area and buildings and responds sensitively to the wider urban fabric of the town. The key features of the design include the following.

- A robust understanding of the required functionality of the clinical specifications;
- Clinical accommodation arranged as ‘spokes’ around circulation hub;
- A human scale to the facilities aiding familiarity for patients and assisting with intuitive wayfinding;
- The design recognises the importance of creating a suitable urban response by re-establishing a street frontage;
- Car parking is located at the rear of the building away from the prominent public view;
- A manageable landscape buffer of 5-6 meters is retained along the frontage to give acknowledgement and presence to properties opposite the site and help create and define a public space at the head of the High Street which extends beyond the edges of the road. This also provides protection to the sensitive functions within the building;
- Significant changes in level with Southern orientation facilitate the creation of a stepped built-form which responds well to the site topography and urban context. Stepped both in height and plan, the impact on the site is minimised by maintaining an essentially 2 storey building.
- The main frontage is splayed and pivoted at the public entrance ‘hub’ to reinforce the vista to the town square and respond to the natural curvature of the road.
- The creation of a southern courtyard helps extend the new landscaped pedestrian zone across the road and allows the development to fulfil its potential on the site in an integrated manner with its locality.
- Views to the south and west are maximised with attention given to the specific placing of windows to enclose views and vistas.
- The site plan overleaf outlines the main features of the proposed facility.

Site Plan.



5.5 Clinical Functionality

- 5.5.1 Close physical proximity of services will increase the opportunity for integration informal knowledge sharing and co-ordination of enhanced joint working.
- 5.5.2 The departmental relationships have been assessed through the use of an AEDET design evaluation to be generally good and the internal flows are good and acceptable to staff and the public. Key features include:
- a clearly distinguished main entrance leads to the common reception central hub where all staff and visitors arrive, either from the public front entrance or the rear car park, which maximises security and control of the building;
 - the community lounge at the heart of the building encourages the integration of separate functions and the use by the whole community as a Health Campus;
 - up to date good practice designs of both physical layout and security systems maximise the efficiency and efficacy of the functional requirements;
 - the design creates an aesthetically pleasing environment, making

most of natural daylight and ventilation within the central hub and incorporated into each of the ‘spokes’;

- disability audits have been carried out as an integral part of the design process and development to influence strategic decisions in regards to access and circulation to specific details such as colour and texture of finish.

5.6 Selection of Materials

- 5.6.1 Traditional and sustainable building materials which reference the spirit of Scottish local architecture are used in a contemporary manner and the selection of windows and external screens has been carefully considered to ensure robust security whilst avoiding a harsh, secure aesthetic.

5.7 Wayfinding & Interior Design

- 5.7.1 The design succeeds in breaking down the scale of the project producing a ‘friendly’ and ‘domestic’ type of environment.

- 5.7.2 A key feature is the use of interior design to assist in wayfinding for those entering the new facilities. Computer generated images of the new facilities are shown below

Internal Images of the new facility.



- 5.7.3 The design acknowledges a hierarchy of different types of spaces. The progression through these will be defined by varying approaches to the use of form, light, colours and materials; all helping to assist with the patient’s wayfinding.

- 5.7.4 Logical hierarchy of accommodation from public to semi-public to private space radiates from the central hub both vertically and horizontally. Clear and visible identification of patient and non-patient areas.
- 5.7.5 Simplicity and legibility of the design allow ease of orientation, discrete use of security measures and facilitate observation and supervision.
- 5.7.6 Clear and integrated signage reduces and eliminates where possible the physical and intellectual barriers to the services without discrimination.
- 5.7.7 Light and colourful interiors embrace the aspiration of an open, uninhibited and non-threatening environment.

5.8 Making Best Use of the Site

- 5.8.1 Access to the Facility will be straightforward, with clear signposting and dedicated car parks close to the relevant entrances. On the whole, the road network, associated car park and drop off areas, and provision of dedicated entrances will facilitate good access and egress.

5.9 Flexibility & Future Expansion

- 5.9.1 The proposed design allows internal adaptation to meet the changing ways in which care will be delivered in the future and a limited inclusion of unallocated space will facilitate future expansion.
- 5.9.2 Accommodation has been planned and designed to adapt to change, with a standardised room specification so that rooms can be easily converted to alternative uses, and yet readily tailored to specialist needs.
- 5.9.3 Internal compartmentalisation is primarily formed using dry walling techniques allowing remodelling work to proceed with minimal disruption in terms of nuisance (noise, vibration and dust).
- 5.9.4 The structural flexibility proposals are standard and appropriate for a project of this scale. Zones have been dedicated for new build and both vertical and horizontal expansion will be feasible.

5.10 NEAT – Sustainable Approach to Development

- 5.10.1 The Board requires all developers to undertake an evaluation of their proposals using the NHS Environment Action Tool (NEAT).
- 5.10.2 The proposed facility achieves a ranking of Very Good under this tool. The building from an engineering perspective has been designed to be flexible and controllable. This efficient and effective design has led to anticipated energy consumption within the government target of 35 – 55 GJ/100m³ for new developments.
- 5.10.3 Throughout the design development process the NEAT assessment will continue to be refined in order that a NEAT rating of ‘Excellent’ may be achieved.

5.11 Planning Permission

- 5.11.1 The Boards advisors submitted a planning application for the new facility on 2nd March 2007 and South Lanarkshire Council Regulatory Committee considered the application on 19th June 2007 and Planning Consent was granted subject to conditions.
- 5.11.2 There are 23 conditions attached to the planning consent. Most of these are standard conditions and shall be discharged by Graham Construction and their designers as the design develops. However the Board has three specific planning conditions to discharge, principally in connection with:
- the preparation and publication of a Green Travel Plan;
 - outlining to the Councils satisfaction, details of the servicing arrangements at the site; and
 - agree a programme of Archaeological work, in accordance with a written scheme of investigation, following consultation and agreement with West of Scotland Archaeology Service.
- 5.11.3 Throughout the design development process there has been regular and ongoing discussions with South Lanarkshire Council in order to ensure that all planning conditions are discharged timeously.

5.12 Timeline

- 5.12.1 The proposed programme for completion of the development is:

Detailed Planning Consent	June 2007
Target Cost Established	July 2008
Full Business Case NHS Board Approval	August 2008
Full Business Case SGHD Approval	September 2008
Site Mobilisation	October 2008
Practical Completion	June 2010
Service Commencement	July 2010

6. EQUIPMENT

6.1 Introduction

6.1.1 This chapter of the Full Business Case sets out:

- the categorisation of equipment;
- an overview of the equipment strategy;
- equipment procurement responsibilities;
- commissioning arrangements; and
- the funding route for the equipment.

6.2 Equipment Categorisation

6.2.1 Equipment within the project is grouped into four categories. These are:

- Group 1: Items (including engineering terminal outlets) supplied and fixed within the terms of the building contract;
- Group 2: Items which have space and/or building construction and/or engineering service requirements and are fixed within the terms of the building contract but supplied by the Board;
- Group 3: As Group 2 but fixed or placed in position by the Board; and
- Group 4: Items supplied by the Board, possibly with storage implications but otherwise having no effect on space, construction or engineering services.

6.3 Equipment Strategy

6.3.1 In order to ensure clarity the Board has produced an Equipment Responsibility Matrix (ERM) detailing in which category individual pieces of equipment fall.

6.3.2 Graham Construction shall, as part of the Target Cost, procure, install and commission all group 1 equipment and shall install only group 2 equipment procured by the Board.

6.3.3 Board responsibility is mainly limited to items such as medical equipment and other moveable items which fall within Groups 3 and 4. These items shall be procured new or will be transferred from an existing facility. This equipment shall be procured, installed, commissioned, maintained and life cycle replaced by Board departments such as Medical Physics or through contracts with specialist suppliers i.e. dental equipment.

6.3.4 Detailed Room Data Sheets (RDS) have been fully developed and agreed for all standard rooms within the facility and this process will be completed for all rooms prior to construction beginning on site.

6.3.5 A detailed transfer inventory is currently underway within existing facilities. This is designed to capture information relating to the age and condition of equipment as well as its suitability for use within the new facility.

6.3.6 Where appropriate the specification of group 1, equipment procured by Graham Construction, has been approved by the Board.

6.4 Equipment Procurement

- 6.4.1 Where required the Boards Procurement department shall lead users in specifying, selecting and tendering of all Board equipment in line with Standing Orders, Standing Financial Instructions and EU Supplies Directives.
- 6.4.2 The Procurement department shall provide Graham Construction with timeous information on each item of Group 2 equipment; to include dimensions, fixing details, mechanical and electrical service requirements, service connection, heat outputs, allowable deflections etc.
- 6.4.3 The Boards Medical Physics department shall advise on the procurement of medical and scientific equipment to ensure that items under consideration, are safe and comply with relevant standards and are compatible with users working practices and existing equipment.
- 6.4.4 The purchase of Group 3 and 4 equipment will take place during the technical commissioning period. However the procurement of group 2 equipment such as dental chairs that have significant design implications shall be discussed and agreed with Graham Construction to ensure delivery at the appropriate time in the construction programme.

6.5 Equipment Commissioning

- 6.5.1 A commission team shall be responsible for the logistics, installation, commissioning and staff training on the use of Board equipment. This commissioning team shall:
- develop an equipping programme based on overall project timescales;
 - develop the final equipment lists based on the finalised room data sheets;
 - undertake the transfer exercise;
 - take receipt of all equipment and distribute on-site; and
 - manage the process of testing, commissioning and training.

6.6 Funding of Equipment

- 6.6.1 The cost of procuring all Group 1 equipment is included within the Target Cost.
- 6.6.2 Equipment groups 2, 3 and 4 will be purchased or leased by the Board using national contracts and conventional competitive tendering.
- 6.6.3 As outlined above there is an expectation that wherever possible equipment shall transfer from existing facilities. For the purposes of this business case an estimate of 50% has been assumed.

7. CONTRACT FRAMEWORK

7.1 Introduction

The Chapter will examine:

- an overview of the contract framework;
- the Principal Supply Chain Partner and its Supply Chain Members (SCM);
- the Boards right to terminate;
- reviews and approvals;
- PSCP payments;
- Open Book Accounting; and
- setting the Target Price.

7.1.1 This Chapter describes the basis of the legal or contractual framework that will underpin the project and sets out a summary of the key contractual relationships between the Board and its Principal Supply Chain Partner (PSCP) - Graham Construction.

7.1.2 Carluke Community Health Centre is one of four projects bundled together for the purposes of procurement. The other three bundled projects are:

- Caird House - Adults with Complex Needs/Low Secure Unit;
- Coathill Hospital - Adults with Complex Needs; and
- Kirklands - Learning Disabilities Assessment Centre.

7.1.3 The Boards Legal Advisors are McClure Naismith and the projects are being administered under the third edition of the Engineering and Construction Contract (NEC 3) Option C with the contractor working to agreed margins and utilising open book accounting.

7.1.4. The Chapter will examine:

- an overview of the contract framework;
- the Principal Supply Chain Partner and its Supply Chain Members (SCM);
- the Boards right to terminate;
- reviews and approvals;
- PSCP payments;
- Open Book Accounting; and
- setting the Target Price.

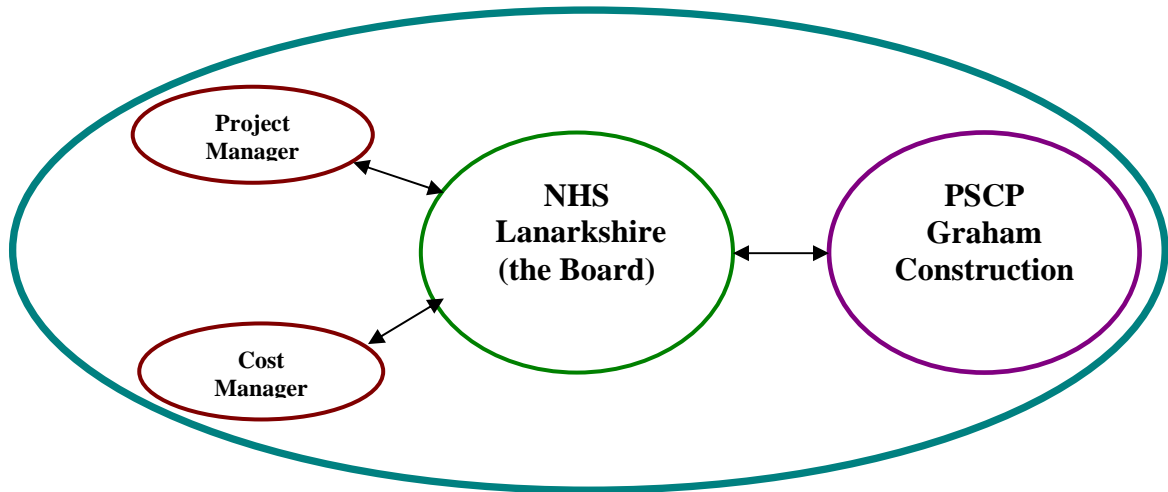
7.2 Overview of the Contract Framework

7.2.1 Public sector capital is the procurement route that has been assessed to deliver value for money for these projects. The collaborative partnership approach being followed is based on the principals of ProCure 21 using the NEC3 ECC Conditions of Contract (Option C).

7.2.2 Price certainty is obtained by agreement of a Target Price between the Board and Graham Construction and a risk and reward formula (Gain/Pain share) is an inherent part of the contract.

7.2.3 The project is owned by the Board, with Currie & Brown being appointed to act as Project Managers and Cost Managers. The contractual links are illustrated below.

Contract Framework



7.2.4 One of the key principals underpinning this collaborative approach is the establishment of an integrated Project Team made up of participants from the Board, its advisors and the Principal Supply Chain Partner and Supply Chain Members (SCM).

7.2.5 The integrated Project Team will work together in a non-adversarial manner to achieve the common goal of delivering the four projects. The establishment of an integrated Project Team has many benefits including:

- open and transparent management of the projects;
- building trust between the Board and the PSCP;
- a better understanding of each others needs;
- improvements in cost, time and quality; and
- skills transfer.

7.3 The Principal Supply Chain Partner and it's Supply Chain

7.3.1 The Board selected Graham Construction as its Principal Supply Chain Partner under an EU compliant competitive tendering procurement process, to design and construct the four bundled projects. This is described in Section 4 - The Procurement Process of this Full Business Case.

7.3.2 The initial appointment is to take each of the four projects to completion of NEC Stage 3 or 'Full Business Case/Target Price'. Individual projects within the bundling will only move forward to Stage 4 – 'Construction' following NHS Board and Scottish Government Health Directorate approval of the Full Business Case.

- 7.3.3 Graham's Supply Chain Members are as follows:
- | | |
|--------------------------------|----------------------|
| Architect | - SMC Davis Duncan; |
| Cost Consultant | - Armours; |
| Structural/Civil Engineer | - Beattie Watkinson; |
| Mechanical/Electrical Engineer | - Hawthorne Boyle; |
| CDM co-ordinator | - CRGP; and |
| Condition surveys | - CRGP. |
- 7.3.4 Grahams Construction may not change any of its Supply Chain Members without the Boards consent.

7.4 The Board's Right To Terminate

- 7.4.1 The project is proceeding in the following distinct stages and the contract with Graham Construction is subject to termination rights at each stage.
- o Stage 3 – engagement up to approval of FBC; and
 - o Stage 4 – engagement to carry out the construction of the facility.
- 7.4.2 If approval is not given to proceed to Stage 4 – Construction the Board has the right to terminate the contract, even if Graham Construction is not in breach. The Board may terminate the contract at this stage and Graham Construction would not be entitled to claim for the loss of anticipated profits.

7.5 Reviews and Approvals

- 7.5.1 Graham Construction has collaborated with the Board to develop the Stage 3 design for the Carluke Community Health Centre and to reach an agreed Target Price. The design has now been accepted by the Board, with 'Clinical Sign-off' of the site development plan, clinical adjacencies at 1:200 scale and room layouts at 1:50 scale of all standard rooms. Some design development is ongoing on the remaining room layouts and this will be complete prior to work commencing on site. The Target Price was agreed on Thursday 31st July 2008.
- 7.5.2 Full Business Case approval is now being sought from the NHS Board and Scottish Government Health Directorate (SGHD) 'Capital Investment Group' to proceed to Stage 4: Construction.

7.6 PSCP Payments

- 7.6.1 As part of the selection process, Graham Construction submitted details of their supply chain rates for Stage 3.
- 7.6.2 During Stage 3 'design development' Graham Construction has been paid on an open book defined cost plus fee basis, together with defined cost of subcontracted work and the subcontracted fee. This is monitored against a target agreed prior to entering into this stage.
- 7.6.3 In Stage 3 Graham Construction do not share in any savings nor is there a penalty for overspending the stage target; always providing that they have complied with the acceptance procedure in the contract by obtaining the

Project Manager's agreement to any increase. Failure to follow this acceptance procedure may result in defined costs that exceed the stage target being determined as a disallowed cost.

- 7.6.4 The Target Price for Stage 4 'construction' is now fixed and subject to Full Business Case approval.
- 7.6.5 During Stage 4 Graham Construction must deliver the project for the Target Price. However it should be noted that the Target Price may be revised upward or downward where contract compensation events occur.
- 7.6.6 In Stage 4 Graham Construction are paid their defined cost and fee together with defined cost of subcontracted work and the subcontracted fee.
- 7.6.7 Defined costs plus fee are compared to the Target Price and a 'Gain/Pain Share' mechanism applied depending on whether the final total cost exceeds or falls short of the Target Price. The mechanism is applied as follows
 - Where actual price is below Target Price, the contractor and the Board will share the 'gain' on a 50/50 ratio.
 - If the actual price is below 80% of the Target Price the Board receives 100% of any further savings.
 - Where actual price exceeds the Target Price, all additional costs are absorbed by Graham Construction.
 - Appropriate levels of incentives are maintained by 'ring fencing' profit.
- 7.6.8 Graham Construction is therefore incentivised to identify and bring to the Boards attention opportunities for value engineering and cost management. The decision to proceed with changes to the accepted design lies with the Board.

7.7 Open Book Accounting

- 7.7.1 The Board and its Cost Managers have agreed with Graham Construction the appropriate level of information required in support of monthly applications for payment.
- 7.7.2 On an ongoing basis the Boards Cost Managers will audit Graham Construction's accounts to verify the amounts forming the basis of the application for payment.
- 7.7.3 Each application will be separated into elements of:
 - defined cost of works, materials and services;
 - risk allowances; and
 - the percentage fee (overheads and profit).
- 7.7.4 The aim underpinning this partnership approach is to reduce costs by understanding the commercial risks and mitigating their time/cost impact on the construction of the new facility.

7.8 Setting The Target Price

- 7.8.1 The Target Price for Stage 4 has now been agreed and Graham Construction must deliver the project for this cost.
- 7.8.2 The Boards Cost Managers have benchmarked the proposed Target Price by comparing this with actual costs of other projects and have confirmed that the defined costs, fees and risk compare favourably with similar recent ProCure 21 projects.
- 7.8.3 The Board and its advisors have worked closely with Graham Construction to understand the costs and the commercial risks which make up the Target Price. Joint risk workshops are regularly held to ensure transparency and the best possible outcomes are achieved.
- 7.8.4 The allocation of commercial (Graham Construction) and Board risks is fully described in Section 9 – ‘Risk Analysis and Risk Management Strategy’ of this Full Business Case.

8. FINANCIAL APPRAISAL AND AFFORDABILITY

8.1 Capital Cost

8.1.1 As highlighted in section 3.8, capital costs for the proposed development have been updated from the OBC. These costs are based the Target Price as agreed with the Board's Principal Supply Chain Partner (Graham Construction):

Full Business Case Costs	Total Cost
	£000's
Works Costs	10,205
Commercial Risk	695
Target Price	10,900
VAT	1,949
Fees	318
Land	120
Equipment & IT/Telephones	322
Total Project Cost	13,609

8.1.2 The works costs at FBC are the outcome of the negotiations with Graham Construction to achieve agreement of a Target Price which includes Commercial Risk that will be borne by the contractor.

8.1.3 The above table shows an NHS capital expenditure figure of £13.609m. This figure includes non recoverable VAT, Fees, Land Purchase and Equipment.

8.1.4 Construction cost inflation from the OBC approval date is included within the FBC at 22.62% to reflect market conditions across the period covered. This uplift is in respect of increases in the building cost indices as advised by NHS Lanarkshire Property Advisors Currie & Brown and represents the increase in the BCIS indices from the OBC base cost date of Q3 2005 and the programme mid point of Q3 2009.

8.1.5 The capital costs will be funded through the NHS Lanarkshire Capital Resource Limit (£13.609m). Appropriate provision has been made in the Board's five year Capital Plan

8.1.6 The Planning Authority set additional planning conditions as detailed in paragraph 5.11.2.

8.1.7 Equipment costs are based on a detailed schedule of requirements with an assumption that 50% of existing equipment will transfer to the new facility.

8.1.8 NHS Lanarkshire's Property Advisors Currie & Brown have benchmarked the FBC costs against other recent central belt projects. In their opinion the target price submitted by Graham Construction represents fair market value.

8.1.9 Forms FB1-4 detailing the breakdown of capital costs are included at Appendix A.

8.2 Revenue Implications

- 8.2.1 As result of the increased capital costs, and as noted in Section 3.8.10, the revenue implications of the new development have been updated from the OBC. These costs have been developed by the NHS Lanarkshire Finance and Property & Support Services Departments, in conjunction with Currie & Brown acting as the NHSL board’s cost advisors
- 8.2.2 The projected additional revenue costs to the NHS are summarised in the table below:

Cost Category	Revenue Cost at OBC Stage	Revenue Cost at FBC Stage
	£000’s	£000’s
Rates, Property & FM Costs	198	338
Capital Charges	458	735
Total Revenue Costs to NHS	656	1,073
Less Existing Budgets	(138)	(149)
Contribution from GPs & GDPs	(51)	(34)
Net Increase to NHS	467	890

- 8.2.3 Rates, property and facilities management costs have been developed by with NHS Lanarkshire’s Property & Support Services and Finance Departments This work has included a robust assessment of NHS requirements and incorporates current NHS National Cleaning Specifications, updated costs in respect utilities, local authority rates and other property management costs. The increase of £0.202m from the OBC Stage is largely due to price increases in utilities and the increase in the size of the building.
- 8.2.4 The Capital Charges increase of £0.277m reflects the increase in the capital cost of the building between OBC and FBC stage as detailed in section 7.1 above.
- 8.2.5 Charges to GPs and GDPs are in respect of heat, light and power; cleaning and internal maintenance. These are based on apportionment of costs across the areas occupied by these practitioners.
- 8.2.6 The overall revenue impact to NHS Lanarkshire as detailed above compares to additional costs of £0.467m identified within the OBC. This increase in revenue costs remains affordable within the Board approved Five Year Financial Plan.

8.3 Economic Appraisal/ Value For Money Analysis

- 8.3.1 The capital and associated revenue costs were used to carry out an economic appraisal of the options, using discounted cash flow techniques in line with SGHD guidance. A discount rate of 3.5% for the first 30 years and 3% for the remaining period to 60 years was used in this computation. The appraisal undertaken for the OBC has been updated for the revised capital and revenue costs. This resulted in a Equivalent Annual Cost (EAC) for each option as shown in the table below.
- 8.3.2 Where there has been increased costs as a result of inflation, higher utilities and other increases in property related overhead costs a pro rata increase has been assumed to apply to all options contained within the OBC.

Option Description	At OBC Stage	At FBC Stage
	£000	£000
Upgrade	N/A	N/A
Extend	N/A	N/A
New Build Same Site	378	696
New Build New Site	377	694
Developer	586	1,079
PFI	937	1,725

- 8.3.3 The above analysis demonstrates that the preferred option is that with the lowest EAC of the options that could deliver the objectives of the project. It is also the option which delivers the lowest recurring revenue costs and is therefore, the preferred option in terms of affordability.

8.4 Accounting Treatment

- 8.4.1 The delivery of the preferred solution is by way of a traditional public funded procurement and the Capital Expenditure incurred in developing the building will be reflected on NHSL's Balance Sheet as a Fixed Asset.

9. RISK ANALYSIS AND RISK MANAGEMENT STRATEGY

9.1 Introduction

9.1.1 The objective of performing risk analysis is to:

- allow the Board to understand the project risks and put in place mitigation measures to manage those risks;
- assess the likely total outturn cost to the public sector of the investment option under consideration; and
- ensure that the allocation of risks between the Board and the private sector is clearly established and demonstrated within the contractual structure.

9.1.2 A risk may or may not occur and is defined as an event which affects the cost, quality or completion time of the project. There are a number of such events that could arise during the design, construction and commissioning of the new facilities.

9.1.3 A full risk analysis was undertaken to identify and assess the impact of risks during all stages of the project. This comprised a series of workshops involving the Project Team and professional advisors, the Boards risk manager, users of the building and representatives from Graham Construction and their design team.

9.1.4 This chapter sets out the project specific approach to managing risk and illustrates how risk has been integrated into the NEC commercial framework and confirms on-going risk management arrangements. The areas covered are:

- Risk Management Overview;
- Risk Profile at Full Business Case; and
- Risk & the Commercial Framework.

9.2 Risk Management Overview

9.2.1 All capital projects carry a degree of risk and project risks that are not identified at the appropriate stage in the project life cycle cannot be effectively managed. Often this results in time and cost overruns and a reduction in the quality of the built facility.

9.2.2 Risk management has been used extensively throughout the development of this project. The approach has been to ensure successful project delivery, by seeking to:

- foster increased understanding of the project amongst project partners;
- ensure focussed consideration of project objectives and risks by all project partners;
- produce more realistic project budgets, timescales and scope;
- provide robust justification for contingency allowances;

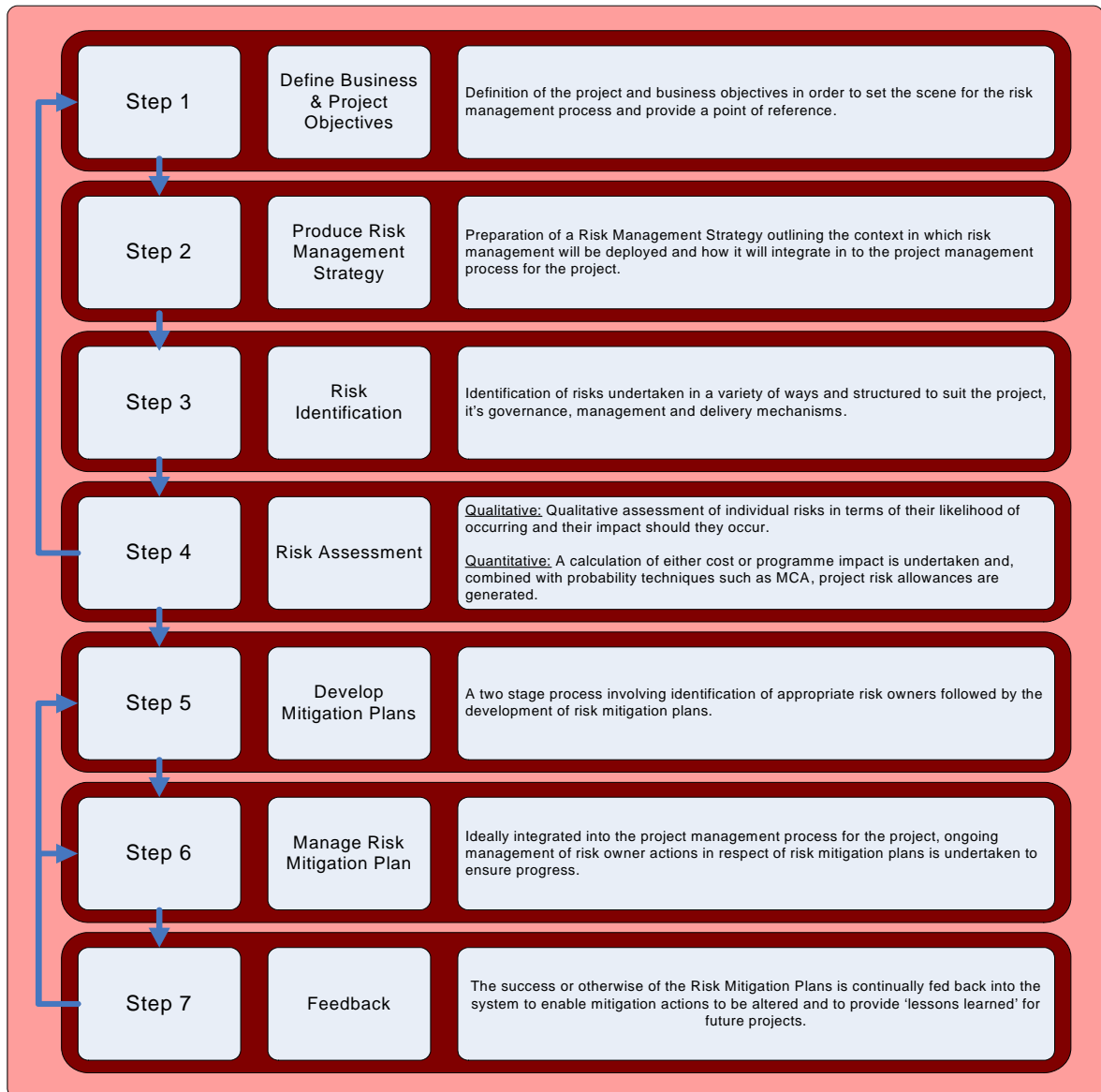
- provide a framework or basis for the agreement of commercial terms; and
- develop the partnering ethos by providing transparency where all issues are ‘on the table’.

9.3 Risk Management Process

- 9.3.1 The approach taken to risk management follows the process illustrated at the end of this section.
- 9.3.2 Following development of project objectives and the risk management strategy, risks were identified as either present or anticipated (emergent).
- 9.3.3 Identification and assessment of risks has been and will continue to be revisited regularly during development and delivery of the project.
- 9.3.4 An initial risk register was developed by the project team at OBC stage. This was further developed as the project progressed and shared with Graham Construction during the design development stages of the project.
- 9.3.5 Project Team members have been encouraged to add risks at any stage during project development in order to ensure that all significant project risks are identified and considered by all project stakeholders.
- 9.3.6 Qualitative assessment of all identified risks was undertaken with the probability of a risk occurring and its potential impact scored using the Boards risk management methodology. This scoring of risk enabled the development of a risk profile for the project, and scores are revised on a regular basis depending on the implementation and success of mitigation strategies.
- 9.3.7 Quantitative assessment of risks at the time of submitting this Full Business Case is described later in this chapter.
- 9.3.8 The risk management process developed appropriate mitigation strategies for risks which were classified as either:
- Retain - where other options are uneconomic or undesirable;
 - Reduce - minimise the risks by raising awareness and developing protection measures;
 - Avoid - choose different methods/solutions;
 - Transfer - assign the control of risks to others; or
 - Share - where control could not be managed fully either partly alone.
- 9.3.9 In addition to developing plans for mitigation of risk, the risk management plan has identified risk owners on the basis of the organisation best placed to manage them. The Board or Graham Construction will manage the risks and the mitigation strategies allocated to them. It should be noted that ownership of a risk for mitigation purposes is not the same as allocation of risk from a commercial purpose.

- 9.3.10 The penultimate stage in the risk management process has involved the collection, categorisation and summary of the information obtained thus far, enabling the development and implementation of the risk management system.
- 9.3.11 Finally, the risk management system accommodates feedback in order to assess its effectiveness and enable its revision.

The Risk Management Process



9.4 Current Risk Profile at Full Business Case

9.4.1 In following this structured approach to risk management, the project risk profile has both changed and reduced during design development.

9.4.2 The risk register for the project is attached at Appendix B However the table below summarises the significant commercial (Graham Construction) risks that are included within the Target Price and pertinent at the time of drafting this Full Business Case.

Significant Commercial Risks.

Risk Ref	Description of Risk	Risk Exposure		Risk Exposure Rating Col 3 x Col 4	Assessed Risk	Risk Owner	Control Measures
		Probability	Impact		L/M/H		
2	Health & Safety						
2.1	Protecting against public going on site	3	4	12	High	Graham	Refer to the construction phase Health & Safety Plan
8	Construction						
8.24	Inadequate site security results in loss of specialist plant and materials	4	3	12	High	Graham	Graham to take appropriate security precautions

9.4.3 It should be noted that although the register was initiated and developed by the Project Team, the FBC register has been further developed and enhanced by involvement of Graham Construction and the entire supply chain.

9.4.4 The risk register details the mitigation strategies that have been adopted in order to manage all the project risks.

9.4.5 Although the risk profile at Full Business Case is discussed later in this chapter, this can only be considered a snapshot.

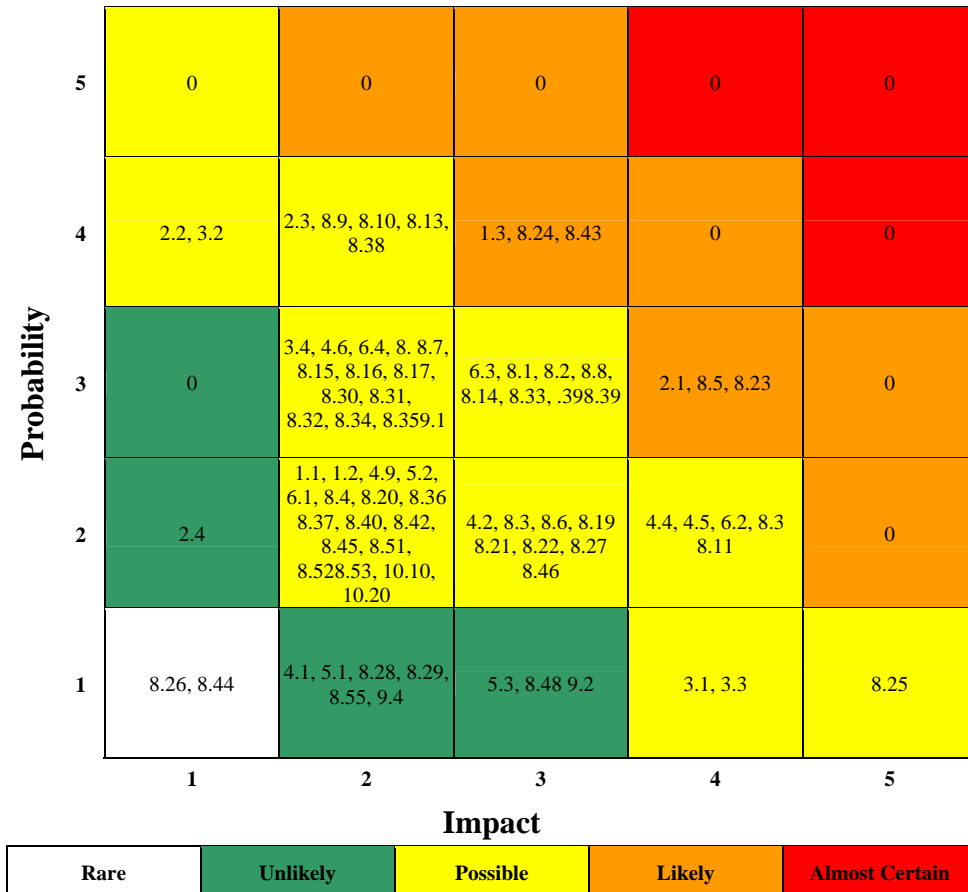
9.4.6 It should be noted that the risk scores above have been adjusted to take account of the impact of the mitigation strategies only where these strategies have commenced or are complete.

9.4.7 The Probability/Impact Grid shown overleaf below provides a graphic representation of the project risk profile. Each reference represents an individual risk on the register.

9.4.8 It should be noted that the proportion of high level, high scoring risks shown in the top right hand quadrant is relatively low and that the risk profile has reduced sufficiently to enable the investment decision to proceed. There are no very high (red) risks

9.4.9 The ownership of individual risks has been agreed between the Board and Graham Construction and in the main allocation has been based on the principal of which organisation is best placed to manage it. However, it should be noted that ownership of a risk for management purposes should not be inferred as ‘risk transfer’ from a commercial perspective.

Probability/Impact Grid.



9.4.10 The table above shows the high risks which have been assessed to have a potential impact on programme together with time impact.

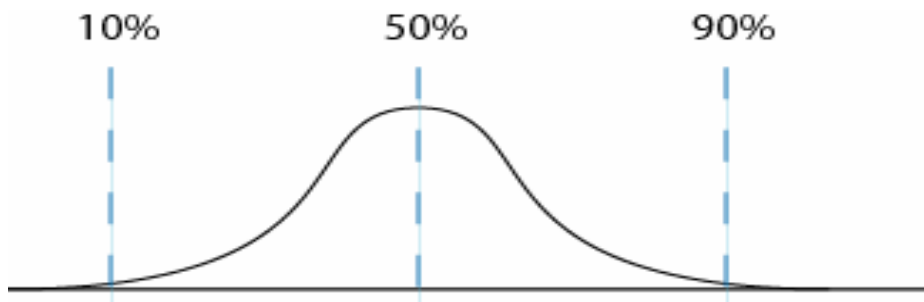
9.4.11 An assessment has been made of these risks and an ‘float’ allowance introduced to the construction programme to accommodate any potential slippage.

9.4.12 The process of agreeing an appropriate capital risk allowance for determining the Target Price is set out below.

9.5 Risk & The Commercial Framework

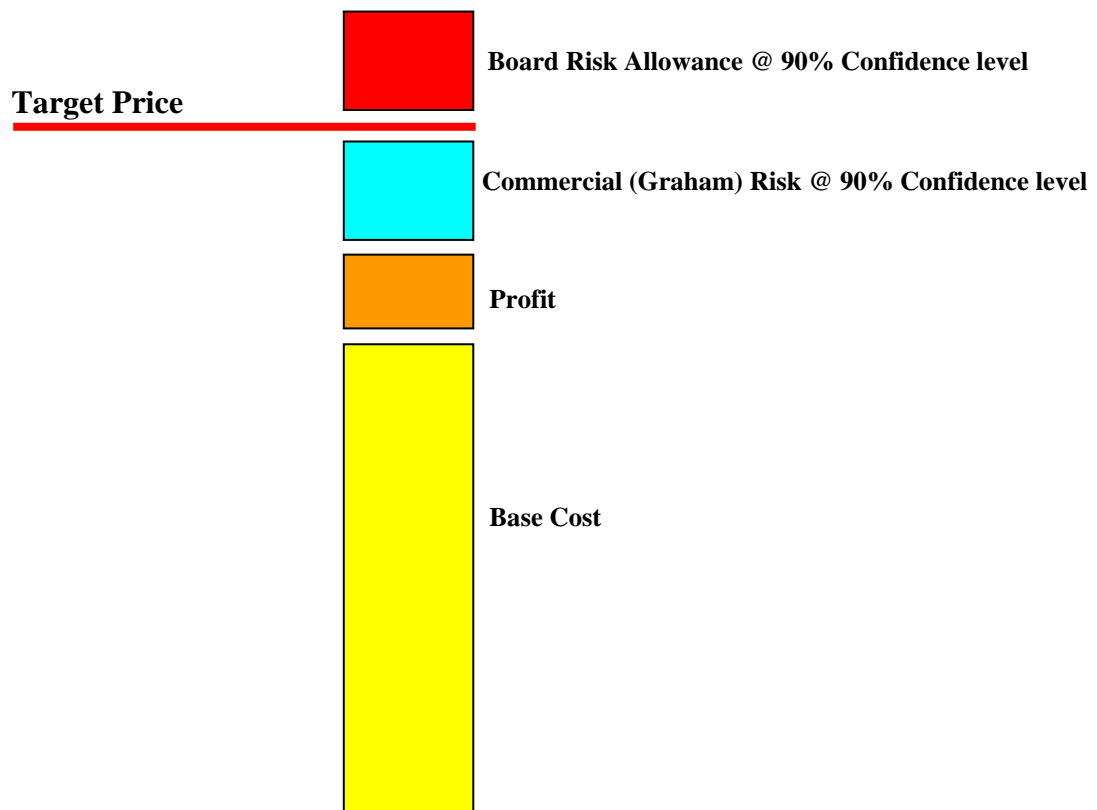
- 9.5.1 The key features of the New Engineering and Construction Contract (NEC 3 - Option C) contract are:
- It is a variant of Maximum Price/Target Cost (MPTC) approach.
 - The parties are encouraged to work together as partners in an open and transparent approach and to ensure that this partnering ethos is maintained.
 - There is a 'Gain/Pain share' mechanism to act as an incentive to the delivery team, by rewarding good performance and penalising poor performance.
 - A clear and transparent system is 'on the table' to enable negotiation to take place on prices.
 - A level of 'price certainty' is determined.
 - All price thresholds are set using quantitative risk analysis.
- 9.5.2 With the risk register now complete and agreed between the Board and Graham Construction (stage 1) the following process was followed.
- Stage 2: All risks that have a cost impact were priced by Graham Construction using a three point estimating technique. These costs were verified by the Board's Cost Advisors.
 - Stage 3: The allocation of risk was agreed between Graham Construction (commercial) and the Board (project/corporate).
 - Stage 4: A Monte Carlo analysis was undertaken on both risk 'buckets' i.e. commercial and project.
 - Stage 5: The Monte Carlo outputs from the commercial risk bucket are used to set the price framework.
 - Stage 6: The Monte Carlo output from the project risk bucket is used to set the Board Risk allowance.
- 9.5.3 The three point estimating techniques used by Graham Construction to price the risks, determines:
- the 'best case' cost;
 - the 'most likely' cost; and
 - the 'worst case' cost
- 9.5.4 A statistical distribution analysis is performed on the individual three point estimates, typically using a normal distribution curve as shown below.

Normal Distribution Curve.



- 9.5.5 The problems with assessing the cost of risk is that not all of the risks will occur and the risks that do occur may not fall at the most likely predicted outcome i.e. a 50% level of confidence.
The Monte Carlo Analysis is a statistical simulation that considers the probability of all, some or none of the risks occurring.
- 9.5.6 The Monte Carlo Analysis is a statistical simulation that considers the probability of all, some or none of the risks occurring.
- 9.5.7 The simulated value for commercial risk calculated as ‘most likely’ i.e. 90% confidence level is used to set the Target Price. This is illustrated below:

Elemental Build Up of Target Price.



- 9.5.8 The contract as tendered by the Board sets the ‘Gain/Pain share’ mechanism as follows:
- Where actual price is below Target Price, the contractor and the Board will share the ‘gain’ on a 50/50 ratio.
 - If the actual price is below 80% of the Target Price the Board receives 100% of any further savings.
 - Where actual price exceeds the Target Price, all further pain is absorbed by the contractor.
 - Appropriate levels of incentives are maintained by ‘ring fencing’ profit.

- 9.5.9 The risk simulation can only ever include for risk events that have been identified, therefore now that the price framework has been agreed the occurrence of a risk that was not identified in the register does not qualify as compensation events.
- 9.5.10 Risk events that are dealt with under the contract, such as weather, are included in the risk register.

9.6 Board Risk

- 9.6.1 The Board risks are also identified on the risk register. To a large extent these have been mitigated by the extensive site investigation works carried out earlier in the project and by the robust project management arrangements in place.
- 9.6.2 Should any Board risk occur, the cost of these shall be met from a risk allowance set aside for those projects listed in the Boards Capital Plan.
- 9.6.3 Compensation events are used to 'instruct' changes and are paid for from the 'Board' risk pot.

10. BENEFITS ASSESSMENTS AND BENEFITS REALISATION PLAN

10.1 Principles

10.1.1 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.

10.1.2 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.

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

10.1.4 A benefit appraisal-scoring process was undertaken to assess the relative level of benefits delivered by the short listed options. Members of the Project Planning Team with relevant GP and community dental representation participated in order to include a wide range of views.

10.1.5 The key aims of the process 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.

10.1.6 The key features of each of the benefits considered are described below:

10.2 Accessibility

10.2.1 This can be summarised as:

- 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.

10.3 Capacity and Future Sustainability

10.3.1 This can be summarised as:

- 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.

10.4 Integration and Effectiveness of Services/Quality of Care

10.4.1 This can be summarised as:

- 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.

10.5 Operational and Environmental Suitability

10.5.1 This can be summarised as:

- 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.

10.6 Staff Recruitment, Training and Development

This can be summarised as:

- 10.6.1
- Provides Scope for Recruiting and retaining staff
 - Attractiveness to staff (including location, working environment)
 - Provides better training and development opportunities, ability to cross cover.

10.7 Timing

10.7.1 This can be summarised as:

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

The table below summarises the benefits assessment and realisation plan:

	BENEFIT	MEASURE
1	<p>Improved Accommodation</p> <p>The current facilities are no longer fit for purpose and include no capacity for expansion. There is no provision to allow GP's, for example, to provide enhanced services. There are also challenges in achieving compliance with DDA legislation and decontamination guidance.</p>	<p>DDA compliance Compliance with decontamination standards Reduction in complaints Improved recruitment and retention</p>
2	<p>Improved accessibility to services</p> <p>The new facility includes additional accommodation to enable to delivery of a greater range of service locally and supports the implementation of improved clinical models in local communities.</p>	<p>Improved access to local services e.g. COPD, Diabetes through the development of community based facilities.</p>
3	<p>Improved integration of services</p> <p>Provides a local focus for a range of services including GP, GDP, and Community Health services.</p>	<p>Increased provision of dental service and co-location of GP and GDP services.</p> <p>Improved partnership working</p>
4	<p>Improved flexibility for future change</p> <p>The current facilities have no scope for expansion</p>	<p>Introduction of additional services</p> <p>Flexible design allows space to be utilised more effectively.</p>
5	<p>Improved clinical effectiveness</p> <p>Provision of purpose built facility allows appropriate clinical space to be provided.</p>	<p>Reduce complaints</p> <p>Increase in service available - no longer limited by functionality of accommodation</p> <p>Reduction in waiting times and increased provision of services locally.</p>

6	<p>Improved staff recruitment, training and development</p> <p>The new facility provides a stable healthcare environment within Carlisle and consequently ensures long term employment opportunities..</p>	<p>Successful staff recruitment</p> <p>Improved staff retention</p>
7	<p>Operational and environmental sustainability</p> <p>The new facility will enable the development of services to meet the needs of the local population.</p>	<p>Effective health improvement programmes can be implemented more efficiently</p>

11 POST-PROJECT EVALUATION PLAN

11.1 Process

11.1.1 A post project evaluation will be undertaken within 6 months of the completion of the project and in advance of the dissolution of the design team. The primary undertaking will be to evaluate the procurement process and to identify learning opportunities for others and for future projects. This will involve assessment of success by means of considering the original project objectives, delivery of the project in terms of programme, cost and quality outcomes, and a value for money appraisal.

11.1.2 The evaluation process will continue to be developed as the project is delivered and will incorporate:

- A description of the project objectives
- Amendments to the project requirements and associated reasons
- Review of the legal framework which supported the project and assessment of its appropriateness
- Review of Project Execution Plan, programme, project structure and outcomes
- Review of final cost outcomes
- Review of optimism bias calculations
- Review of any unpredictable events and impact on outcome.

11.1.3 A formal report will be issued identifying project successes, weaknesses and setting out learning opportunities for future projects. This will include detail of:

- cost compliance
- programme achievement
- effectiveness of structure and approach
- technical competence of project team and design team
- compliance with statutory requirements.

12 CONCLUSION

12.1 Summary

- 12.1.1 NHS Lanarkshire proposes to develop a Community Health Centre in Carluke which will include:
- An improved base for the Community Dental Service (CDS) and facilities for specialist services/enhanced training of dentists to be developed.
 - Two General Medical Practices which are relocating from unsuitable premises.
 - A General Dental Practice which is relocating from premises which do not meet DDA and Glennie requirements.
 - All community and Mental Health Services currently provided from existing premises.
- 12.1.2 NHS Lanarkshire proposes to develop a Community Health Centre in Carluke which will include:
- An improved base for the Community Dental Service (CDS) and facilities for specialist services/enhanced training of dentists to be developed.
 - Two General Medical Practices which are relocating from unsuitable premises.
 - A General Dental Practice which is relocating from premises which do not meet DDA and Glennie requirements.
 - All community and Mental Health Services currently provided from existing premises.
- 12.1.3 This project will deliver a significant number of benefits for the local community within the Carluke area and delivers a vastly improved facility for the provision of community Health services. Additionally the utilisation of vacant land within the town centre drives an improvement in the amenity of the local town and improves the physical environment.
- 12.1.4 This proposal represents the most effective solution in terms of value for money and will deliver a platform for the improvement of health within the Carluke area.
- 12.1.5 The current facilities no longer support the delivery of a modern healthcare service and approval to proceed will allow the establishment of a facility which will support the future development of the above noted services in a clear and structured manner.

APPENDIX A

APPENDIX B