

Greater Glasgow NHS Board

Board Meeting
Tuesday, 20th January, 2004

Board Paper No. 04/2

Programme Director, Acute Services
Chief Executive, GGNHSB
Director of Finance, GGNHSB

**ACUTE SERVICES IMPLEMENTATION:
AMBULATORY CARE HOSPITALS PROCUREMENT PROCESS**

Recommendations: The Board is asked:

- (i) to consider this report on progressing the procurement of the Ambulatory Care Hospitals;
- (ii) to agree that this procurement should now include the provision of a new Day Surgery Theatre and Diagnostics complex at Stobhill Hospital; and of 60 new-build rehabilitation beds in the Victoria re-development;
- (iii) to re-affirm the strategic imperative of progressing this procurement of the Ambulatory Care Hospitals as a crucial step in the Board's plan for modernising adult acute services care; and of ensuring that the forward financial plan supports the affordability of these developments, as an over-arching priority, to be commenced in 2007\08, with full year costs to be met in 2008\09;
- (iv) to re-affirm the original funding of £15 million agreed for the provision of the Ambulatory Care Hospitals, updated to 2008/09 prices, together with additional revenue funding of £2.1 millions, if required, to meet the additional costs of extending the brief, at (ii) above.
- (v) to amend its previous decision, in respect of the provision of "Soft" FM Services, to allow the development of an "in-house" bid, to be assessed alongside the bidder's submission in order to ensure value for money is secured;
- (vi) to note the agreement for progressing with Glasgow City Council the outline planning and related issues;
- (vii) to receive verbal feedback from PricewaterhouseCoopers concerning key governance aspects relating to this paper;
- (viii) to authorise the Chief Executive and the Programme Director to release the FITN (Final Invitation to Negotiate) documentation to the consortium in February, 2004.

1. Background

- 1.1 At its meeting on 15th July, 2003 the NHS Board received a report on the first steps taken in this procurement process. At the end of the first stage of procurement, only one consortium had returned the Pre-Qualification Questionnaire (PQQ), the means by which bidders formally expressed their interest in the procurement. The report considered by the Board included a Risk Assessment, carried out by the members of the Acute Services Programme Board, which weighed up the respective risks of continuing to work with the single bidder or of re-advertising the procurement in order to try to generate a field of competition. That assessment was based initially on a market intelligence exercise carried out by the Board's Legal and Financial Advisers.
- 1.2 Given the doubts raised in that review about the likelihood of attracting a competitive field through re-advertisement of the project, the Board agreed to proceed with the negotiated process with the single bidder based on the development of a robust process which would achieve best value for money within an appropriate set of governance arrangements.

2. Developing the 'Governance' Arrangements for this Project

- 2.1 The development of these governance arrangements has had a number of strands. First, PricewaterhouseCoopers (PWC) as external auditors carried out a review of the project to the period ended 30th September, 2003 which was presented to the Board's Performance Review Group at its meeting on 22nd October, 2003. The PWC report provided additional assurance to the Performance Review Group that appropriate arrangements had been put in place to obtain best value against the context of a single bidder.
- 2.2 The PWC status review of the project also enabled the Chief Executive of the NHS Board to write to the Director of Performance and Finance at the Scottish Executive Health Department to ensure that the Health Department was content with the arrangements and that work with the single bidder should continue. In a letter dated 3rd December, 2003, the Health Department's Director of Performance and Finance confirmed that he was content that appropriate governance arrangements were being developed and that work with the single bidder should continue. He also commended a further level of review of the project by Partnership UK (PUK), a consultancy which undertakes key stage reviews of PPP projects on behalf of the Treasury. The PUK review will be undertaken early in this calendar year.

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2.3 As the project is now nearing a point at which the Final Invitation to Negotiate (FITN) will be ready for issue, it was agreed that PWC, as external auditors, would undertake a further review of the project up to the current date so that it can offer the Board its view of the robustness of certain of the best value considerations which have been developed further and presented within this paper. A Partner from PWC will attend the NHS Board meeting to provide a verbal report directly to the Board on this further review which PWC has carried out, such that the Board can be satisfied further that the FITN documentation can shortly be issued to the consortium, thereby taking the project into its next important phase.

3. Two Important Additions to the Brief of the Project

- 3.1 In recent months, the Programme Director and his team have taken the opportunity to re-examine the brief for the project in order to ensure that the content of both Ambulatory Care Hospitals is comparable and provides the best, long-term arrangements for the delivery of care. The preparation of the initial brief for the Stobhill Ambulatory Care Hospital was based on the premise that the existing, 30 year old theatre suite and the adjoining Day Surgery Unit, developed in the early 1990s, would be upgraded and retained as part of the future Ambulatory Care Hospital. In comparing both the level and facility of theatre, investigative and day case provision which this upgraded scheme would offer in comparison with the modern, purpose-built facilities specified for the Victoria Infirmary development, the Programme Director and his Project Team concluded, with strong support from the Professional Advisers, that both developments should include the provision of new, purpose-built day case theatres and diagnostic facilities. The financial consequences of this adjustment are addressed in the following section of this paper.
- 3.2 There is one further issue, of timing, which the NHS Board is asked to consider. The Board's overall plan for the modernisation of Adult Acute Services includes provision for the replacement of the elderly care services currently delivered from the Mansionhouse Unit in two settings, within the South-East and South-West of the city. The provision within the South-East comprises 60 beds for Rehabilitation which it is proposed to develop alongside the Ambulatory Care Hospital. Initially, it had been planned that the replacement of the Mansionhouse Unit would be carried out in 2009\10.
- 3.3 The opportunity is available, therefore, to include the re-provision of these 60 Rehabilitation beds in the ambulatory care procurement, thereby allowing the whole campus development plan to be completed in a single phase. The financial consequences of this proposal also are addressed in the following section of this paper.

4. Summary of Value for Money and Affordability of the Ambulatory Care Hospitals Procurement

- 4.1 Maintaining momentum in this procurement process is key to the modernisation of acute services care within Greater Glasgow. It both involves the first stage of implementation of the acute services plan and will contribute materially to addressing the service and workforce challenges of the years ahead. Allied to a major programme of service re-design, the provision of modern, fit-for-purpose facilities, with enhanced day case and diagnostic capacity, will allow increased 'one-stop' provision for patients and help to unblock current bottlenecks in care pathways.
- 4.2 There is an important issue of credibility also with the public, our staff and elected representatives. Given the duration of the public consultation process and the ensuing decision making process, there still remains doubt in a number of quarters whether the promised modernisation of acute services care will be delivered. It is crucial, therefore, to be able to demonstrate to the wide range of interests involved that the Board is now moving definitively to implement these key first stages of its Acute Services Plan.
- 4.3 There are two aspects of value for money and affordability which must be addressed. The first centres on whether the costs now estimated remain in line with the original financial envelope which the NHS Board approved. The second re-tests whether the Board's financial plan for the years ahead will meet the revenue required to support this project. The Board, in approving the Acute Services Review (ASR) in March, 2002, identified a recurrent funding requirement of £19.4m for the first three major projects, viz, the North and South Ambulatory Care Hospitals and the Beatson redevelopment Phase II.
- 4.4 The Board received a report last month, December 2003, confirming that, following competitive tendering, the Beatson Phase II additional recurrent costs are in line with the original affordability assessment of £4 million. Since that meeting, each of the Scottish West of Scotland NHS Boards have confirmed their share of the recurrent revenue requirements. Consequently, funding available for the two ACADs is re-confirmed (net of enabling works) at £15.0 million at 2006\07 prices, uplifted to £15.8m at 2008/09 price base.
- 4.5 Over the past months, the Ambulatory Care Hospitals Project Team has focused on the detailed design and service requirements. This has allowed the development of the Public Sector Comparator (PSC), i.e., the financial summary of revenue requirements of the proposed development, if it were undertaken using Treasury capital.

The PSC is key to understanding the value for money aspect of the project and this calculation enables the Board to proceed to issue the FITN.

- 4.6 The detail of the PSC calculations has been reviewed by the project's Financial Advisers, Ernst and Young, and by PricewaterhouseCoopers (PWC) as external auditors.

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Work is also ongoing to prepare a detailed Shadow Bid which among other things draws on reliable average and contract specific benchmarks. This Shadow Bid will form a key part of contract negotiations. Key points relating to the estimated costs of the two Ambulatory Care Hospitals are as follows:

- The PSC reflect the current design assumptions and operational policies
- The PPP unitary charge so generated is £2.1m in excess of the revenue provision made in the original approval.
- This difference is entirely attributable to the inclusion into the scheme of the Mansionhouse beds and a replacement theatre\diagnostic block at Stobhill.

4.7 The assessment of the overall revenue requirement for the two Ambulatory Care Hospitals includes a provision for equipment which will be excluded from the PPP scheme and will, therefore, be financed through the Board's capital programme.

These equipment requirements, include:

- CT Scanner for each ACAD;
- MRI Scanner for each ACAD;
- Digital X-Ray and PACS for both; and
- General provision calculated as 15% of capital costs.

4.8 The overall financial assessment of the two schemes assumes that the funding required for soft FM services will be matched by equivalent monies released from existing budgets held by the North and South Trusts.

4.9 The funding requirements, set out in this analysis, reflect the revenue needed to operate each year once the ACADs are operational. No financial provision has been made at this stage for any transition costs that might arise as a result of double running with the existing Victoria and Stobhill sites.

4.10 In conclusion:

The inclusion of the Mansionhouse beds and replacement theatres at Stobhill have increased both the capital and the consequent revenue funding requirements by £2.1m per annum.

On the basis of a 'like for like' comparison with the initial brief for the Ambulatory Care Hospitals, this updated cost estimate is in line with the financial provision which the Board agreed in March, 2002. The Board is asked, therefore, to re-affirm support at that level. In addition, given the advantages described in this paper which the expanded brief would bring, the Board is asked at this stage to recognise a potential additional cost of up to £2.1 million but to remit to the Programme Director a rigorous overhaul of the cost structure of the whole project in order to reduce this additional potential figure to the minimum level required.

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- 4.11 It remains for the Board to be satisfied that the forward financial plan will support the additional revenue requirement for the Ambulatory Care procurement. The financial 'envelope' which the Board agreed in March, 2002 has been updated to reflect the current knowledge about future years' allocations and commitments. This analysis is contained in the '2004\05 and beyond Revenue Allocations – First Cut' Report presented by the Director of Finance to the December, 2003 meeting of the Performance Review Group. The analysis recognised that in common with all other parts of the NHS in Scotland, the Board must ensure that it continues to meet its ongoing annual financial and other key performance targets through progressing its recovery plan.
- 4.12 On this basis, the Board is asked therefore to agree that the revenue required for the Acute Services Review Phase I, including the additional £2.1 million (if required) for the Ambulatory Care Hospitals, will represent a first call against development monies available in the years preceding the first full year of operation, 2008\09.

5. The Arrangements for the Provision of “Soft” FM Services

- 5.1 When the Board considered, at its meeting in March, 2003, the scope of procurement which would be set down in the advertisement placed in the European Journal (the OJEC notice), it accepted the view put forward by the Chief Executive, based on the guidance from the Professional Advisers, that the Soft FM Services (principally cleaning, catering, portering and related services) should form part of the procurement, not least in terms of the need to demonstrate value for money and to demonstrate also that the criteria for the transfer of risk were being met. In taking this decision, the Board was aware that alternative approaches had been developed by some local authorities, linked to the “Best Value” regime and asked the Chief Executive and the Project Director to have further discussions with relevant staff side interests about this issue.
- 5.2 In the intervening months, there has been a series of further discussions, both with staff side interests and with senior colleagues within the Scottish Executive Health Department, whose ultimate approval of the overall project is required. A range of views has been expressed in discussions with staff side, from philosophical opposition to the use of PPP within the public sector, to vehement opposition to the inclusion of “Soft” FM Services in any such procurement, to a suggestion that a “Best Value” approach might be able to be adopted, and fourthly, to a view that, as a minimum, the PPP partner should be required to submit also a mandatory variant bid which would allow an “in-house” bid for “Soft” FM Services to be considered alongside the price included in the PPP partner’s submission, thereby allowing value for money to be demonstrated.

- 5.3 In meetings with the trades unions a number of safeguards have been confirmed. The first is that no existing member of staff need be compulsory transferred to the contractor in the event of an in-house bid being unsuccessful. In relation to the number of staff directly involved (approximately 50 covering both sites) suitable alternative employment can be guaranteed. Any staff who wish to transfer in this event would be supported by NHS Greater Glasgow facilitating a transfer under the TUPE Regulations. Arrangements for the comparison of bids received would be conducted transparently, in partnership, and would ensure no possibility of a two-tier system of rewarding staff. In overall terms the process and communication issues would be progressed in line with the Scottish Executive/STUC Protocol on Staffing Matters in Public Private Partnerships.
- 5.4 The Project Team has explored whether use of a "Best Value" approach might be feasible, given that that approach is not embedded in NHS Scotland as it is within Local Authorities. The Team considers that the work involved in this would add 3 months to the timetable for implementing the project. Thereafter the work would require assessment. Given that "value for money" can be delivered through the mechanism of the "variant bid" described above, without extending the timetable, that is the approach which the Chief Executive and Programme Director commend to the NHS Board.

6. Outline Planning Application and Related Issues

- 6.1 A series of meetings between the Programme Director, Chief Executive and senior colleagues within Glasgow City Council is helping to progress a clear plan and timetable for the handling of the outline planning application and the subsequent more detailed planning submissions which will be considered during the coming months. Agreement in principle for the sale to the South Glasgow Trust of the required portion of the Queens Park Recreation Ground is in place. In addition, detailed discussions about the mechanism by which a replacement relief road can be created to compensate for the closure of Annan Street are underway, such that each of the planning issues can be concluded within timescales consistent with the Consortium's development and submission of the final planning application later this year.

7. Next Steps

- 7.1 If the Board is content with the recommendations set out in this report and with the "governance" report from PricewaterhouseCoopers which will be presented at the Board meeting, the Programme Director will be authorised to issue the FITN documentation in February, 2004. The Programme Director and the Board Chief Executive will continue to bring forward regular updates on progress to meetings of the NHS Board.