

NHS GGC East Renfrewshire CHCP



**EAST RENFREWSHIRE
COMMUNITY HEALTH AND CARE
PARTNERSHIP**

NHS Greater Glasgow & Clyde



**Eastwood Health and Care Centre
&**

Maryhill Health Centre

**Project Bundle
V Final**

*Eastwood Health and Care Centre and Maryhill Health Centre
Project Bundle*

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1 **Proposed Investment**

This paper summarises the business cases for the development of a new Eastwood Health and Care Centre and a new Maryhill Health Centre.

These projects are proposed to be bundled into one contract to be provided by Hub West Scotland as part of Scottish Governments approach to the delivery of new community infrastructure.

“Eastwood Health and Care Centre”

East Renfrewshire Community Health and Care Partnership (CHCP) wishes to facilitate a fundamental change in the way in which health and social care is delivered to the people of Eastwood, which has a significantly ageing population.

The current health services provided in Eastwood are unable to support the required focus on providing care for older people as outlined in “*Reshaping Care for Older People - A Programme For Change 2011-21*”.

To address the ageing population issue, in the new Health and Care Centre general medical services will be at the core of service provision, providing through access to health care and an accessible pathway to CHCP and wider services. These services will be wrapped around GP practice clusters to ensure patients are supported with management of long term conditions, maximise their independence and are enabled to live in their own homes and community. Practices will, in collaboration with other health and social care professionals, identify those people with long term conditions who are at highest risk and provide appropriate anticipatory responses to their care needs. A key objective will be integrated working which will aim to reduce unnecessary admissions to hospital.

This project will provide a range of health and social care services for the population of Eastwood under one roof and will be more accessible than the current facilities. It will be a more cost effective use of resources reducing back office duplication and replacing a number of buildings which are not fit for purpose. It will provide space for five General Practices as well as 250 CHCP staff. East Renfrewshire Council (ERC) is an equal partner in the project, with £6.13 million of capital funding secured for the project. This has been confirmed in the Council’s General Funding Capital Plan 2013/14 to 2020/21 paper dated 7 February 2013 which includes up to £6.5m of capital funding, with the £6.13m being based on latest modelling.

“Modernisation and redesign of primary and community health services for Maryhill”

The purpose of the Maryhill project is much more than the simple replacement of the existing facilities. This is an opportunity to enable and facilitate fundamental change in the way in which health is delivered to the people of Maryhill. The underlying aim is to reshape services from a patient’s point of view. Health care services will be shaped around the needs of patients and clients through the development of partnerships and co-operation between patients, their carers and families and NHS staff; between the local health and social care services; between the public sector, voluntary organisations and other providers to ensure a patient-centred service.

The West of Scotland has profound health challenges that resonate at the top of UK and European indices. Maryhill, where the new health centre is planned, represents one of the most deprived communities in Glasgow. 53% of the patients using Maryhill Health Centre live in a SIMD 1 area (i.e. within the most deprived neighbourhoods as listed in the Scottish Index of Multiple Deprivation).

The levels of need in the area and the poor quality of the built environment, has led to Maryhill Town Centre, where the new health centre would be located, being designated by Glasgow City Council as one of 6 regeneration areas where investment should be targeted. The development of a new health centre would demonstrate in a very tangible and high profile way NHS Greater Glasgow and Clyde's commitment to working in partnership to tackling health inequalities, improving health and contributing to social regeneration in areas of deprivation.

The provision of a new health centre in Maryhill will enable service re-design and development that will ensure that wherever appropriate safe services and care will be delivered as close as possible to the point of need. Similarly, it will enable responsibility for decisions about patient care to be devolved to as close to the point of delivery as possible.

2 Preferred Option

2.1 Preferred Option – Eastwood

From a long list of 12 options to potentially address the needs for Eastwood, a short list of 4 options was produced at Initial Agreement stage. Drumby Crescent scored highest but 4 options were agreed to be taken forward for further evaluation in the OBC. These options were:

- 1 Do minimum
- 2 New Build – Drumby Crescent, Clarkston
- 3 New Build – Broomburn Drive, Newton Mearns
- 4 New Build – Mearns Road, Newton Mearns.

Following on from the Options Appraisal a number of additional factors developed that made the full consideration of Options 3 and 4 difficult to deliver:

- The Eastwood project was identified as the focus of the SFT led Reference Design for Primary Care Centres. This was an opportunity to improve the outcome of the project but required NHS GG&C to employ two designers and identify a site to develop their proposals. A preferred Design Team led by Gareth Hoskins was subsequently appointed in February 2013
- The CHCP and designers carried out the required stakeholder engagement with local residents to take account of views in relation to the Reference Design and this led to a wider communication of the preferred site
- East Renfrewshire Council issued a press release on week commencing 10th December 2012, confirming that the project was approved and that the site was Drumby Crescent. This was picked up by Local and National newspapers.

ERC have provided further information on Options 3 and 4. Both of these options are located on existing amenity green space in areas where there have traditionally been significant objections to development. On this basis, the likelihood of delivering these options within the timescale for hub projects would not be achievable.

Following advice from the Scottish Government early in 2013, NHS GGC East Renfrewshire CHCP was advised that the Drumby Crescent site could not be the only option considered in the OBC and that the Ayr Road site should also be evaluated at OBC stage. A further Options Appraisal workshop was held on 28 February 2013 and the outcome of this further review again confirmed the Drumby Crescent site as the preferred option, with a score of 85% compared to 50% for Ayr Road and 32% for do minimum.

The preferred option promotes team and partnership working, has the capacity for other partners and organisations to use space within the new facility, has a design that allows out of hours use of the building, facilitates agile and mobile working and has the flexibility for remodelling and redesign.

2.1.1 Results of economic and financial appraisal - Eastwood

The following tables are expanded upon fully within this document and provide a summary of the economic and financial appraisals that have been undertaken to validate the delivery options.

The initial capital cost estimates for the options short-listed are detailed as follows:

Initial Capital Cost Estimates.

Option	Initial Capital Cost Estimate
OPTION 1 – “do minimum” – Retain existing facilities.	£1,200,000
OPTION 2 - “new build – Drumby Crescent, Clarkston”	£14,909,393
OPTION 3 - “new build – Ayr Road, Newton Mearns”	£15,086,144

Table 2.1

The table below shows the analysis for the short listed option including a benefit score for each option and cost per benefit point using whole life costing.

VfM Analysis

25 year Life Cycle		Option 1 - Do Minimum	Option 2 - New build, Drumby Crescent, Clarkston	Option 3 - New build, Ayr Road, Newton Mearns
Appraisal Element				
Benefit Score	a	33.00%	85.00%	50.00%
Rank		3	1	2
Net Present Cost – Includes risk	b	£17,151,853	£24,629,235	£24,805,985
Cost per benefit point	b/a	£519,753.12	£289,755.70	£496,119.70
Rank		3	1	2

Table 2.2

The results of the Economic and Financial Analysis consolidate the position of **Option 2** as the preferred option.

2.2 Preferred Option – Maryhill

The “*Categories of Choice Assessment*” considered a wide range of potential options and established their viability and consideration for further review. The options considered at the IA stage are summarised as follows.

- Do minimum – Option 1a
- Refurbish and extend current health centre – Option 1b
- Build new Maryhill Health Centre on current site – Option 1c
- Build new Maryhill Health Centre at Maryhill Rd/Skaethorn Rd – Option 2a
- Build new Maryhill Health Centre at Gairbraid Avenue – Option 2b
- Build new Maryhill Health Centre at Hugo Street/Shuna Street – Option 2 c
- Build new Maryhill Health Centre at Queen Margaret Drive – Option 2d
- Build a new combined Health Centre for Maryhill and Woodside at Hugo Street/Shuna Street – Option 3a
- Build a new combined Health Centre for Maryhill and Woodside at Queen Margaret Drive – Option 3b.

The long list of options covered a wide range of potential solutions in line with the options framework and established options covering a number of categories of choice. Each of these options was then assessed against the investment objectives and critical success factors by Key Stakeholders to establish viable options and an options shortlist.

The short-listed options included within the Initial Agreement document are summarised in the following table.

<p>Option 1a: “do minimum”</p>	<p>This option would incur minor interior upgrade works to improve the building. This option would fail to meet the service and project objectives. However it has been included as an option to provide a baseline so that the extra benefits and costs of the other options can be measured against it.</p>
<p>Option 2a: “build new Maryhill Health centre at Maryhill Road/Skaethorn</p>	<p>This option would allow the replacement of the current poor quality health centre premises and the relocation of other services and staff to a new purpose-built health and care centre. This option was considered viable – but there are some issues regarding the accessibility of the steeply sloping site, potential traffic problems on a busy junction, and was thought to be too far from Maryhill Town</p>

Road	Centre to be ideal.
Option 2b: “ build new Maryhill Health centre at Gairbraid Avenue	This option would allow the replacement of the current poor quality health centre premises and the relocation of other services and staff to a new purpose-built health and care centre. This option was considered to be the best in terms of improving access, being close to Maryhill Town Centre (and not too far from the site of the existing health centre) with potential synergies arising from its location beside Maryhill Burgh Hall and Maryhill Leisure Centre (thereby making a bigger impact in terms of supporting the Maryhill Town Regeneration Plan).

Table 2.3

There was a further short list Option 3b “build a combined health centre for Maryhill and Woodside” but this was withdrawn from the short list, following the approval for the Initial Agreement for Woodside, which recommended that this option should not proceed.

2.2.1 Results of economic and financial appraisal - Maryhill

The following tables are expanded upon fully within this document and provide a summary of the economic and financial appraisals that have been undertaken to validate the delivery options.

The initial capital cost estimates for the options short-listed are detailed as follows:

Initial Capital Cost Estimates.

Option	Initial Capital Cost Estimate
Option 1 – Do Minimum	£404,000
Option 2 – build new Maryhill Health centre at Maryhill Road/Skaethorn Road	£12,099,369
Option 3a – build new Maryhill Health centre at Gairbraid Avenue	£12,105,977

Table 2.4

The table below shows the analysis for the short listed option including a benefit score for each option and cost per benefit point using whole life costings

VfM Analysis

25 year Life Cycle		Do Minimum	Build new Maryhill Health centre at Maryhill Rd/Skaethorn Road	Build new Maryhill Health centre at Gairbraid Avenue
Appraisal Element		Option 1a	Option 2	Option 3a
Benefit Score	a	24.3%	59.1%	90.9%
Rank		3	2	1
Net Present Cost – Includes risk	b	£11,484,113	£19,160,598	£19,167,207
Cost per benefit point	b/a	£472,597.24	£324,206.40	£210,860.36
Appraisal Element		Option 1a	Option 2	Option 3a

Table 2.5

The results of the Economic and Financial Analysis consolidate the position of **Option 3a** as the preferred option.

2.3 Stage 1 Costs – Eastwood

Following the options appraisal Hubco has provided maximum tender cost for the provision of Option 2 – New Build at Drumby Crescent - as follows:

Output	Eastwood Health and Care Centre
Capital Expenditure (capex & development costs)	£14,675,415
Total Annual Service Payment	£33,215, 000

Table 2.6

2.4 Stage 1 Costs – Maryhill

Following the options appraisal Hubco has provided maximum tender cost for the provision of Option 2b – New Build at Gairbraid Avenue - as follows:

Output	Maryhill Health Centre
Capital Expenditure (capex & development costs)	£11,226,555

Total Annual Service Payment	£37,651,000
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Table 2.7

3 Financial Case – Bundled Project

Given the obvious added complexity of progressing two entirely independent construction sites under one project agreement there requires to be a benefit to East Renfrewshire Community Health and Care Partnership (CHCP) before proceeding with a bundled solution.

3.1 Financial efficiencies through project bundling

It is anticipated that there will be economies of scale derived by bundling projects under a single loan agreement. Areas of potential savings are:

- **Agency fees** – the funder's annual fee for administering the loan may be spread across multiple projects
- **Due Diligence costs** – the appointment of a single team undertaking due diligence leads to financial efficiencies (e.g. in negotiating legal documents and carrying out technical due diligence)
- **Financial modelling** – the reduced number of models to audit.
- **sub hubco management fees** – the bundling of projects will lead to financial efficiencies, as costs (especially labour costs) can be spread across the projects.

It should be noted that there is not anticipated to be any savings in the funding margins and fees for bundling multiple projects, due to the finance product that Aviva offers.

Hubco cannot currently attach cost savings to these financial efficiency headings, as those numbers will be dependent on information received from supply chain bidders and more certainty over site and programme. Hubco believe they will be able to assign values to these financial savings during the Stage 2 process.

3.2 Input cost savings through project bundling

It is anticipated that there will be a number of inputs to the Financial Models that could be subject to reduction from bundling.

The initial Stage 1 models assumed that the projects are procured independently of each other and the preliminaries fee is in line with the agreed cap of 10.83%. However, the Contractor should be able to offer a saving on the cap by delivering two projects at the same time, reducing the fee to 10.81%

As separate design teams are in place for each project it is not anticipated that further savings are achievable, although this will be reviewed during Stage 2 and a number of the professional team services will be subject to a market testing process at Stage 2.

Additional Cost items will be reviewed at Stage 2 as there may be some cost efficiencies in bundling schemes, of optimisation of the independent tester's fee, when compared to standalone schemes.

Additional Stage 2 Fees will be reviewed at Stage 2 as there may be some cost efficiencies in bundling schemes e.g. virtue of lower overall Funder's Due Diligence costs when compared to stand alone schemes.

The Funder's Indicative Term Sheet indicates a Construction Phase Agency Fee of £15,000 p.a. and an Operational Phase Agency Fee of £10,000 p.a. These costs are currently included in each financial model. If Eastwood and Maryhill reach Financial Close at the same time under a single subhubco model and Loan Agreement, then the benefit to the combined model would halve each of the above costs.

4 Bundled Programme

The programme for the projects is currently anticipated as follows:

Eastwood - Project Phases

Stage 2: Consideration of OBC	2 July 2013
Stage 3: Submission of FBC	2 October 2013
Stage 4: Start on site	30 April 2014
Completion date	8 May 2015
Services Commencement	8 May 2015

Table 2.8

Maryhill - Project Phases

Stage 2: Consideration of OBC	2 July 2013
Stage 3: Submission of FBC	2 October 2013
Stage 4: Start on site	23 February 2014
Completion date	15 April 2015
Services Commencement	15 April 2015

Table 2.9

The clear similarity of intended start dates, timescales and completion dates suggests that there should be benefits in combining both projects into one project agreement from funding, construction and operational perspectives.

Although the above bundle assumes Maryhill and Eastwood will go together, the actual schemes to be included in any bundle will be reviewed further as the project progresses toward Full Business Case.

5 Conclusion

NHS GGC and East Renfrewshire CHCP have carried out a complete, evidence based review and analysis of the existing and future health requirements of the current users of health facilities in the Eastwood area of East Renfrewshire and Maryhill in Glasgow. The Outline Business Cases represents the collective input of the CHCP, the Clinical and Community Staff at existing health facilities, their advisors and a wide variety of consultees and stakeholders.

The current facilities for patients, staff and visitors in the current sites area are inadequate. The facilities do not comply with various statutory requirements including Disability Discrimination Access (DDA). The existing buildings currently fail to meet modern healthcare standards, in terms of functional requirements, special needs, and compliance with current clinical guidance, fire regulations and infection control measures. Accommodation tends to be cramped and is characterised by inadequate GP consulting rooms, limited community staff accommodation and overcrowded/ noisy waiting areas. Furthermore, there is a significant backlog in maintenance. The plant and equipment are well beyond their design life, and hence are inefficient in terms of energy use and carbon footprint.

On the basis of the analysis carried out the Outline Business Cases recommend that:

Eastwood

The preferred option, **Option 2 – New build Health Centre at Drumby Crescent, Clarkston** represents the best investment to provide the required services going forward. It is the best value option, as has been demonstrated, and would allow for the fulfilment of the drivers identified in this OBC. The new facility would provide a 21st Century environment that would meet the needs and aspirations of the patients, staff and the wider Eastwood community of East Renfrewshire.

Maryhill

The results of the benefit scoring exercise indicate a clear hierarchy and consistent gap with regard to each benefits overall performance in relation to the level of benefits.

Option 3a: 'Build new Maryhill health centre at Gairbraid Avenue' - This option consistently outperforms the others with 90.9% of the available scoring.