



# The Future Configuration of Hospital Services

## Trust Board Update

29 November 2012

**LOOKING TO THE FUTURE**

## **1. Overview**

This paper seeks approval from the Trust Board to progress with the next stage of implementation of the Future Configuration of Hospital Services programme including approval to enter into contract with Balfour Beatty for the remaining design and construction of the new Women and Children's Unit at the Princess Royal Hospital (PRH) under the ProCure21+ framework.

## **2. Introduction**

The Trust has committed to undertaking a programme of reconfiguration works, the Future Configuration of Hospital Services (FCHS).

A Full Business Case (FBC) was approved by the Trust Board on 16 April 2012 and by NHS Midlands and East (the SHA cluster) on 24 May 2012, which confirmed the total capital cost of the reconfiguration as £34.873m. The Trust has been allocated £35m of Public Dividend Capital (PDC) from the Department of Health to fund the proposed works.

Since approval of the FBC, the Trust has progressed all aspects of the FCHS programme.

The FCHS programme of works comprises:

- the development of a new Women and Children's Unit at PRH (under the ProCure 21+ framework with Balfour Beatty)
- other refurbishment works at PRH (procured as Trust direct works)
- refurbishments at RSH – development of a new Women's Zone including a Midwifery Led Unit and maternity outpatients; and a Children's Assessment Unit and Children's Outpatient department (procured as Trust direct works)

All of the above works are included within the £35m capital funding, broadly split as follows:

- PRH - £28.5m of which £22.613m (plus VAT) forms the proposed contract with Balfour Beatty with the remainder comprising Trust direct works, equipment, fees, land purchase, VAT etc
- RSH - £6.5m for the proposed Trust direct works described above, equipment fees, VAT etc

## **3. Proposed contract with Balfour Beatty for the new Women and Children's Unit at PRH**

Balfour Beatty are working in partnership with the Trust on the design and construction of the new and refurbished elements that make up the new Women and Children's Unit at PRH, under the ProCure21+ framework.

Balfour Beatty have provided a Guaranteed Maximum Price (GMP) offer to the Trust of £22,613,638 (exc VAT), for all design and construction to create the new Unit. This figure excludes all Trust direct works, equipment, IM&T, Trust fees, VAT etc.

To date the Trust has authorised Balfour Beatty to progress works to a total cost of £4.341m (exc VAT), comprising: £2.387m for progressing the FBC, design, and GMP price; £1.783m to carry out enabling works (new car park, helipad etc); and £0.171m to provide 100 additional parking spaces.

All of this expenditure is included within the GMP offer set out above. The total additional expenditure commitment being requested is therefore £18.272m (exc VAT).

Balfour Beatty have proposed the main site works commence on 10 December 2012, subject to Trust Board approval, with a 77 week programme with all Balfour Beatty works completing on 30 May 2014. This programme appears to be reasonable and the completion date fits well with the Trust reconfiguration timetable and allows sufficient time for Trust commissioning, fit-out, and transfer of equipment prior to the planned move of services in August 2014. The Trust should note that Balfour Beatty's programme requires the Trust to meet a number of key interim dates, including the vacation of Wards 12 and 14 in May 2013.

### **3.1. Scope of Work**

The new Women and Children's Unit at PRH comprises an extension to the existing PRH hospital building, by providing a new building on 2 floors, and the refurbishment of the existing nucleus templates (currently Wards 12/14 and 2/3) to provide accommodation for:

- Atrium Reception and Support
- Antenatal Inpatients
- Postnatal Inpatients
- Children's Inpatients
- Children's Assessment Unit
- Children's Outpatients (including Audiology)
- Children's Cancer and Haematology
- Obstetric Theatres
- Delivery Suite
- Neonatal Unit
- Gynaecology Inpatients
- Gynaecology Assessment and Treatment
- Early Pregnancy Assessment Service (EPAS)
- Colposcopy and Gynaecology Procedures

### **3.2. Commercial Basis of GMP Offer and Trust Management of Cost and Risk**

#### **3.2.1 The Balfour Beatty (BB) Guaranteed Maximum Price Offer**

The Guaranteed Maximum Price (GMP) of £22.613m is effectively a "not to be exceeded" offer price from Balfour Beatty to carry out the design and construction of the new Unit. Once the GMP has been agreed the Trust will enter into a Stage 4 Agreement with Balfour Beatty for final design and for construction of all the works being completed under the P21+ contract terms and conditions.

The Trust's Cost Advisors, Holbrow Brookes, have reviewed the GMP offer from Balfour Beatty in detail, and have confirmed that the offer:

- is arithmetically and technically correct
- has been appropriately competitively tendered
- is considered value for money
- is suitable for acceptance by the Trust.

This GMP is the agreed maximum cost for all Balfour Beatty's costs, which is a jointly agreed accurate forecast of outturn cost based on the information available to the team, together with joint assessment and agreed allocation of risk.

Under the ProCure21+ form of agreement, the Trust reimburses Balfour Beatty on an actual cost basis for all of their works completed on the project. The total actual cost paid by the Trust to Balfour Beatty cannot ever exceed the agreed GMP

The Trust acknowledges that the GMP is based on the current scope of works, and includes no client direct costs or Trust risks (which are managed separately by the Trust). If the scope of work was to change or a Trust risk comes to fruition then the GMP will be changed accordingly via the NEC3 compensation event process (either positively or negatively).

### **3.2.2 Value for money**

In order to ensure that value for money is being achieved an open book process of tendering for the works has been completed. Under this arrangement all appropriate works packages developed by Balfour Beatty have been scrutinised by the Trust's team before going to the market, once received the tender returns have also been scrutinised by the Trust's Cost Advisors in order to satisfy them that they are reasonable, appropriate and meet with the specification.

This tendering process has now reached approximately 90% of the full value of the works. The remaining 10% is accounted for in fees that are fixed under the P21+ framework, and for works that are not appropriate for tendering at this stage eg painting and decorating. These types of works are benchmarked against previous schemes to ensure value for money.

### **3.2.3 Management of Risk**

The project risks associated with the P21+ works are managed by the Trust and Balfour Beatty jointly and on an open book basis, using the standard ProCure21+ risk register. This captures all risks, including client, clinical, and construction risks.

The Trust and Balfour Beatty have mitigated as much risk as possible; however the Trust needs to acknowledge that an element of risk remains. The joint team has allocated the risk to the appropriate party (Trust or Balfour Beatty), which is documented in the contractual risk register.

By way of example, Balfour Beatty have accepted risks that may arise from poor ground conditions emerging during construction as it is their responsibility to carry out the appropriate surveys. The Trust, for example, has accepted risk such as Balfour Beatty connecting to our existing mechanical and electrical services which could prove problematic or inadequate and items such as retaining some electrical wiring in refurbished areas. This is a balanced view taken with existing in house knowledge of the hospitals infrastructure. **However being prudent, the Trust has allocated an element of contingency to cover the Trust risks, which is considered adequate for the project stage and the agreed risks being carried. This contingency is covered within the £35m PDC.**

The Trust and their professional advisors will monitor, manage and scrutinise all of the costs throughout the project on an open book basis with Balfour Beatty.

### **3.2.4 Managing potential variations**

The Trust will manage the risk and any potential variations using the agreed NEC3 and ProCure21+ processes; which align with the agreed Trust processes and standing financial instructions. This means that only named Officers of the Trust (i.e. the Technical Director) may make expenditure decisions (within the overall budget) up to their agreed delegated limit (eg £20K for the Technical Director).

Please note that **all** potential changes which may emerge and that have cost implications that are larger than this or that may potentially impact upon the ability to contain the final cost within the budget will be taken to Project Board for decision.

### 3.2.5 Projected FCHS out-turn cost

The anticipated out-turn project costs for the FCHS Programme are £34.970m inclusive of VAT and anticipated VAT recovery at 23.4% on new build and 27.5% on refurbishment. The value also contains a contingency element of £593k including VAT. Broken down further this equates to £26.078m being the GMP with Balfour Beatty including works for additional car parking spaces outside the scope of the FBC (-£198k), £7.317m for Trust direct costs (including contingency) and £1.773m for Trust fees including external consultancy and planning. This includes the land purchase from NHS Telford and Wrekin which is funded via a circular flow of funds from the Department of Health of £540k.

## 4. Staff and User Engagement, Design, and Development of the “1:50 Drawings”

Since the FBC, extensive engagement has been undertaken with staff, patients, their families and the public to ensure a robust design is developed, which also complies with the Trust requirements for the new service. This engagement has focussed on the detailed development and design of the new and refurbished clinical areas although the progression of many aspects of implementation have been discussed.

In the development of the detailed, agreed plans for the new Women and Children’s Unit at PRH, that form the GMP, there has been 52 formal user group meetings (involving medical, nursing and midwifery and management staff). These meetings have all been formally recorded and the journey that the teams have undertaken in the development of their clinical areas documented. All staff involved have given considerable time and thought to the process, often meeting at short notice and out of hours. The Project Team is grateful for their ongoing commitment to the process with all staff confirming their ongoing involvement as work progresses at PRH. Key areas to note:

- “1:50” sessions have now been completed for this stage of the Programme. Updated 1:200, room loaded 1:50 plans, initial room data sheets and clinical output specifications have been formally approved by the clinical nursing, midwifery and medical leads for:
  - Maternity – including Antenatal/Postnatal Inpatients; Maternity Theatres; and Delivery Suite
  - The Neonatal Unit
  - Gynaecology (Wards 12/14) – including EPAS; GATU; Colposcopy and Gynaecology Procedures; and Inpatients
  - Children’s Services – including Children’s Outpatients; Children’s Oncology and Haematology; Children’s Inpatients; and the Children’s Assessment Unit

In addition to discussions with the clinical teams, there have been twelve meetings with patients, their families and interested members of the public. Again, a record of these discussions has been maintained. These meeting notes, and associated presentations, are available at [www.sath.nhs.uk/future](http://www.sath.nhs.uk/future)

## 5. Implementation

A structure and approach for implementation has been approved by the Women and Children’s Centre Board and the FCHS Project Board in October 2012. This is now being established and includes lines of reporting and accountability. Clinical and managerial leads have either been, or are being identified. The importance of Trust wide involvement in the implementation of the reconfiguration and the impact on other Centres is acknowledged and key leads from other Centres and Corporate Teams identified.

Ongoing assurance is a vital element of the implementation of change, and includes the Clinical Assurance Group; updates to the SHA Cluster; regular updates to the Joint Health Overview and Scrutiny Committee; and formal review by the Department of Health as part of their Gateway Review process.

## **6. Linked Work Programmes**

There are a number of key linked work programmes on which delivery of the reconfiguration of Women and Children's Services is reliant. This includes:

- Delivery of changes within the Trust's Stroke and Rehabilitation Services such that capacity is available within wards 15/16 at PRH in 2013 to enable refurbishment for Maternity Outpatients and Scanning
- Ophthalmology Outpatients moving from their current temporary location in Ward 14 by 1 May 2013
- The vacation of Ward 12 by Escalation and alternative plans put in place for PRH by 1 May 2013
- Changes within the operational delivery of Theatres and within the Day Surgery Units at both sites to enable the consolidation of children's surgery at PRH as soon as possible
- Capacity within Outpatients and Theatres at PRH to enable the transfer of the Gynaecology Service in Summer 2014
- Development and delivery of a Medical Records Strategy to allow the Women and Children's Service to move in summer 2014

## **7. Communication and Engagement**

The Communication and Engagement Strategy for this phase of the programme, including the specific elements around the new Women and Children's Unit continues to be implemented.

## **8. Approval Process**

The approval process for the Trust to progress to the next stage of implementation of the new Women and Children's Unit at PRH including the GMP is shown below:

- FCHS Trust Project Team 14 November 2012 (approved)
- FCHS Project Board 20 November 2012 (approved)
- Capital Planning Committee 23 November 2012
- Finance Committee 27 November 2012
- Trust Board 29 November 2012

The FCHS Project Board approved Balfour Beatty's Target Price Submission, incorporating their GMP offer of £22.613m, at the Project Board meeting on 20 November 2012 for submission to the Trust Board. This included reviewing and scrutinising the following elements:

- Overall capital cost, value for money and affordability
- Clinical and non-clinical involvement and sign-off of the proposed design and scope of work including agreed lay-outs
- The overall risk allocation and apportionment of appropriate contingency to cover the Trust's risk associated with the scheme
- That the proposed programme fits with the overall FCHS programme and key Trust commitments

This review comprised the following papers, all of which are commercially confidential, but are available from the Project Board if required:

1. FCHS ProCure21+ Guaranteed Maximum Price Report
2. Statement from the Women and Children's Centre on the proposed design
3. FCHS Finance Status Report at GMP
4. Project Manager's Report on GMP Submission; including:
  - a. Target Price Submission Summary Document; and
  - b. Holbrow Brookes' Report on Capital Costs and Value for Money

## **9. Key Items for the Trust Board to Note**

The Trust Board should note that by approving the GMP offer from Balfour Beatty, the Trust:

- is continuing its committing to the implementation of the FCHS programme and the associated new way of working and models of care as set out in the FBC. The Trust Board should note that only limited scope exists to review or amend the RSH elements of the project
- is committing to constructing the new Women and Children's Unit at PRH, and associated works, remaining design, and other associated commitments by entering into a ProCure21+ Stage 4 "GMP" Contract with Balfour Beatty
- is committing to Balfour Beatty's proposed design, layout, and specifications (as defined in the GMP submission) and as approved by clinical and non-clinical teams and the FCHS Project Board
- is committing £22.613m (exc VAT) of capital expenditure, of which £4.34m (exc VAT) has been previously committed. There are associated additional capital costs for fees, equipment, VAT etc which are all contained within the overall £35 million budget.
- is committing to the revenue implications identified at FBC of both constructing the new building and the subsequent implementation
- is committing to the specified programme for completion of the new Women and Children's Unit at PRH for planned transfer of services in August 2014, with the associated interim deadlines (including fully vacating Wards 12/14 by 1 May 2013)
- will need to provide adequate resources to ensure that all required transformation activities are planned and implemented. This includes transition arrangements, workforce development and the management of change, decanting of services etc
- should note that the progression of the scheme is reliant on a number of other programmes being delivered. This includes vacating Wards 12 and 14 by relocating Escalation and Ophthalmology Outpatients; development and implementation of the Medical Records Strategy; new ways of working within Outpatients; rebalancing of Theatre capacity; freeing up capacity within Wards 15/16; and the remaining Trust direct works to complete the FCHS programme
- should note that the FCHS budget includes a capital allowance for equipment of £624,000 (inc VAT). This figure assumes a significant re-use of existing equipment. If additional equipment is required outside of this budget then alternative internal or external funding sources will need to be found

## 10. Recommendations

The Trust Board is asked to:

- **NOTE** the continued staff and public involvement in the development and design of the Women and Children's Unit
- **NOTE** Project Board approval of the capital cost, value for money and affordability; the proposed design and scope of work; the risk allocation and contingency; and the programme for delivery of the new Women and Children's Unit
- **APPROVE** the Trust's progression to the next stage of implementation of the new Women and Children's Unit at PRH including entering into a ProCure21+ Stage 4 contract with Balfour Beatty with a GMP of £22.613m