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Bwrdd Iechyd Prifysgol
Abertawe Bro Morgannwg
University Health Board



Meeting Date	20 June 2018	Agenda Item	4a
Report Title	Capital Programme and Value for Money		
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Presented by	Sian Harrop-Griffiths, Director of Strategy		
Freedom of Information	Open		
Purpose of the Report	At its last meeting, the Performance and Finance Committee requested a report on how the Health Board's capital programme achieves value for money.		
Key Issues	<p>The Health Board's capital programme is a key enabler for service development and delivery. It includes investment in physical assets such as land, buildings, equipment, vehicles and ICT across all healthcare settings.</p> <p>When undertaking capital projects, the achievement of value for money is an important internal investment criteria and this is also one of the five investment criteria considered by the Welsh Government when considering infrastructure funding proposals from Welsh NHS bodies.</p>		
Specific Action Required <i>(please ✓ one only)</i>	Information	Discussion	Assurance
			✓
Recommendations	Members are asked to consider how the capital programme achieves value for money.		

Capital Programme and Value for Money

1. INTRODUCTION

This report describes how the Health Board's capital programme achieves value for money. In doing so, it considers value for money in terms of economy, efficiency and effectiveness. It also considers a fourth "e" – equity.

2. BACKGROUND

The Health Board's capital programme is structured into two main parts. The discretionary programme considers capital investment from the annual discretionary allocation from Welsh Government. This is intended to support relatively low value projects in respect of meeting statutory obligations (e.g. health and safety and firecode), maintaining the fabric of the estate, and the timely replacement of equipment. The main capital programme is funded on a scheme by scheme basis by Welsh Government, and includes larger value strategic schemes to be delivered usually over a multi-year period.

Economy and efficiency: spending less and spending well. These are achieved via national and local frameworks which are pre-competed on a number of factors, including cost and quality.

Building and Engineering Frameworks

The national frameworks for building and engineering schemes, *Designed for Life: Building for Wales*, are currently being renewed. Contracts have been signed and will be operational by the end of June 18. These frameworks are held by NHS Wales Shared Services Partnership and are mandated by Welsh Government for use on all schemes with a works cost of over £4m (exc VAT). The frameworks are based on the fundamental principles of collaborative working, integrated supply chains and continuous improvement. They aim to deliver a number of key objectives relating to value for money, development of best practice and sustainability including:

- Lower design and construction costs;
- Reduced programme of design and construction;
- Higher quality and less defects;
- Reduced accidents on site;
- Higher sustainability ratings;
- Community benefits.

Figures produced by NHS Wales Shared Services show that the frameworks provided estimated savings of c£32m across NHS Wales since 2013-14 (in comparison to delivery via traditional procurement), with c£8m being delivered last year. In terms of wider value, data for the construction of the Clinical Accommodation Block (CAB) at Morriston shows that 80% of the funding of £15m was spent on Welsh businesses. The new outpatient facility facilitated 402 training weeks.

The national frameworks allow for the development of tendered costs for schemes on an open-book basis. These come with pre-agreed profit margins plus overheads paid on actual validated costs incurred by the contractor. Consultant payments are

also based on pre-agreed fee percentages for the type and value of the project. The frameworks are supported by the use of the NEC suite of contracts Option C gain share which require an open book transparent arrangement between the Health Board and contractor / consultant. The framework contracts allow for a pain/ gain share mechanism which protects the NHS client, where any overspend against the target cost is fully funded by the contractor and any underspend is shared as shown in Appendix 3.

The national frameworks also facilitate the use of professional cost advisors on projects, who work for the Health Board to develop the target cost and also to scrutinise costs as the schemes are delivered. Through the active management of schemes, the Health Board has benefited from £1.2m of gain share funding over the last three years.

The local framework agreement for building and engineering schemes under £4m (net of VAT) was first established in 2005 by Swansea NHS Trust and was renewed in 2008 and 2013. Following a competitive tender exercise a new local framework £0-2m will be implemented later next month following closure of challenges.

Equipment Frameworks

Where the purchase of new or replacement equipment is required, colleagues in Shared Services Procurement will provide advice and be involved in securing best value. In many cases, access is available to a number of frameworks, often through the NHS Supply Chain. Procurement will normally involve running mini-competitions through these frameworks to ensure achievement of best value. For some major equipment purchases, for example MRI scanners, work is co-ordinated by Specialist Estates Services, to ensure best value is achieved across NHS Wales, where a number of organisations are going to market at the same time.

We have a risk register whereby equipment which is reaching or has reached the end of its working life is recorded. The medical devices committee is usually tasked to approve the priority for the replacement of medical equipment. The Shared Services Procurement team will receive the list of equipment and will proceed to look for available compliant frameworks to purchase the equipment. The process will involve undertaking a competitive process by the way of a mini-competition and that will result in cost being identified with best value purchases being made.

Effectiveness: spending wisely. This is about implementing the organisation's capital plan. Previously, under the auspices of ARCH, the Health Board developed a roadmap of infrastructure priorities to be taken forward via a number of different funding routes, including both capital and revenue, and with a range of potential delivery partners. This work is currently being reviewed in light of the emerging clinical and organisational strategies. In terms of the current year's plan, this is set out in the Health Board's Annual Plan which clearly describes and prioritises schemes to be taken forward over the next 12 months.

We are aware that the Welsh Government will be taking a paper to the NHS Wales Executive Board in July on the future prioritisation of the national capital programme, and we will need to reflect the findings and approach in our review process and forward planning/ prioritisation.

Business Cases

The Health Board utilises the Welsh Government recommended 5 Case Model for the development of business cases for major capital investment programmes and projects. Through the life of the project from feasibility to implementation, this allows for the development of 5 key cases, Strategic, Economic, Commercial, Financial and Management. In particular, the Economic case provides a framework to develop an options short-list, which is then subject to an economic analysis of value for money, which takes account of costs, benefits, risks and time.

In previous years, the Health Board has successfully developed and started to deliver a number of strategic infrastructure programmes. For example, the Health Vision Swansea (HVS) programme looked at key developments at Morriston. This programme contained seven projects with a combined value of £102m, all of which have now been successfully delivered, with only the final HVS Car Park and Regional Entrance scheme to be undertaken. Under the £75m Reshaping Mental Health Services Swansea (RMHSS) programme, five of eight schemes have been successfully delivered, with three to commence.

More recently this Health Board has been held up as an exemplar organisation for the production of Strategic Outline Programmes (SOP). In 2015 a £20m Informatics programme was approved by WG and followed up in 2016 with approval of a 10 year Environmental Modernisation Programme with estimated investment of £60m. A number of project business cases in each of these programmes have already received WG funding.

Discretionary Capital Programme

In terms of discretionary capital, the Capital Management Group collates, considers and prioritises proposals for spend using a risk based approach. These proposals are set annually based on risk assessments collated through the Capital Prioritisation Group. Both groups also deal with emerging risks and for the allocation of additional in-year capital funding.

Benefits

Also in relation to effectiveness, the Health Board evaluates major capital schemes as per Welsh Government guidance to assess the delivery of benefits and the achievement of value. Post Project Evaluations on construction delivery have been carried out by NWSSP Specialist Estates Services on the following schemes:

- Low Secure Unit, Glanrhyd Hospital
- HVS 1B Main Entrance Morriston Hospital
- ALAC Morriston Hospital

The HVS 1B Main Entrance scheme at Morriston Hospital was also subject to a Welsh Government Gateway 5 Review – Operations Review and Benefits Realisation.

This work is now being further developed under the Investment and Benefits Group's terms of reference. As a first stage, a benefits monitoring system has been built and launched earlier this month. This system is mandated as part of any investment project (capital or revenue) that is approved through IBG. This will allow both financial and non-financial benefits to be tracked across the Health Board and reported to IBG. A task and finish group has also been established to consider the other issues with benefits, including identification, ownership, management, reporting and realisation. Work has commenced here linking in with best practice through the Welsh Government Better Business Cases network.

Equity: *spending fairly.* The Health Board's current capital programme proposes investment across all healthcare settings, including primary and community sites, the completion of the RMHSS Programme, and in non-place based assets such as ICT. However, this will need to be reconsidered as part of the review of the infrastructure investment roadmap to reflect the new clinical and organisational strategies.

3. GOVERNANCE AND RISK ISSUES

None.

4. FINANCIAL IMPLICATIONS

There are no financial implications arising from this paper.

5. RECOMMENDATION

The Committee is asked to note this report, and how value for money is delivered from the capital programme.

Governance and Assurance							
Link to corporate objectives <i>(please ✓)</i>	Promoting and enabling healthier communities		Delivering excellent patient outcomes, experience and access		Demonstrating value and sustainability	Securing a fully engaged skilled workforce	Embedding effective governance and partnerships
	✓		✓		✓		
Link to Health and Care Standards <i>(please ✓)</i>	Staying Healthy	Safe Care	Effective Care	Dignified Care	Timely Care	Individual Care	Staff and Resources
		✓	✓	✓	✓		✓
Quality, Safety and Patient Experience							
There are no immediate implications. The capital programme should facilitate the delivery of safe and sustainable services, and improve patient experience.							
Financial Implications							
There are no immediate financial implications arising. This paper is concerned with providing assurance around the value for money of capital spend.							
Legal Implications (including equality and diversity assessment)							
N/A							
Staffing Implications							
None							
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)							
The development of strategic infrastructure, including building, major clinical equipment and ICT, should contribute to the delivery of safe and sustainable services over the longer term. In development the capital programme, there are clear opportunities to be exploited regarding cross public sector collaboration and integration to facilitate more seamless health and care services.							
Report History	N/A						
Appendices	Framework Benefits Health Board Values and the Capital Programme						

Framework Benefits

The benefits of a managed framework with an emphasis on achieving value for money and continuous improvement will include:

- For all construction projects, early involvement of the key members of the project team, including contractors.
- Selection by best value, not lowest price.
- Adoption of common processes, such as shared IT (subject to NHS data access and confidentiality requirements).
- A shared commitment to project goals and measurement of performance as the basis for continuous improvement.
- Delivery of cashable efficiencies,
- OJEU compliant process,
- Competitive tension maintained throughout the procurement process,
- Time and Cost Predictability,
- Benefits to local economy – Apprenticeships, Beyond Bricks and Mortar,
- Promotion of Best Practice, Encouragement for use of local supply chain,
- Potential for supply chain benefits through early engagement and aggregated procurement,
- Reduce time taken from inception to completion / faster delivery of Projects,
- Reduction in the number of Contractors on any one site which improves co-ordination and safety which in turn reduces Estates management time in co-ordinating contractors, and
- Contribution to the Health Board achieving ISO 14001 accreditation,
- Sustainability Benefits – waste diverted from landfill,
- KPI's across all projects to maintain competitive tension and continuous improvement,
- Shared procurement expertise and resource, and shared risk and contract management.

Health Board Values and the Capital Programme

The following schedule details how the 2017/18 Capital Programme achieved best value aligned to the Health Board Value Drivers.

Category	Project/Scheme Title	Values Heading
Replacement of Medical Equipment	<ul style="list-style-type: none"> • Equipment Replacement programme • Radiology Improvements • Replacement of Linacs • Catering Equipment replacement 	<p>Working Together – acting on feedback</p> <p>Always Improving – efficient services, developing services</p>
Improvements to Environment	<ul style="list-style-type: none"> • Refurbishment of Ward J Morriston • Central Laundry • Andrews Report PoWH • Collapsed foul drainage repairs 	<p>Caring for each other – improving dignity and respect</p> <p>Working Together – acting on feedback, involving users</p> <p>Always Improving – upgraded environments</p> <p>Maintaining Hospital Services</p>
Improving Access	<ul style="list-style-type: none"> • Sway Road entrance doors • Disabled access improvements PoWH and Singleton • Ward 20 PoWH 	<p>Caring for each other – catering for people as individuals</p> <p>Working Together – Listening to partners seek out learning</p>
Minimise Back Log Maintenance and Improvements in Energy Efficiency	<ul style="list-style-type: none"> • Infrastructure Improvements • Estates capital allocation • Unit capital allocations • Demolitions of redundant not fit for purpose buildings (Laundry, old OPD Morriston) 	<p>Working Together – developing schemes with other departments</p> <p>Always Improving – improving the condition of the Estates, providing safe working conditions, providing environments suitable for the provision of modern health care, improving energy consumption, Carbon Growth, Re-fit</p>
Creating Space for New Developments and Rationalising Estate	<ul style="list-style-type: none"> • Demolition of existing buildings, Morriston • Sale of surplus buildings 	<p>Always Improving – upgraded environments</p> <p>Working Together –</p>

	<p>Cefn Coed, Briton Ferry Health Centre.</p> <ul style="list-style-type: none"> • Commissioning of new Primary Care Centres, Briton Ferry, Brynhyfred, Mayhill 	GP's and Development Companies
Improved compliance with existing and new guidance	<ul style="list-style-type: none"> • JAG Work to Endoscopy in PoWH and Singleton • Provision of a new Aseptic Unit on Singleton 	<p>Working Together – acting on feedback, involving users</p> <p>Always Improving – upgraded environments, improved services</p> <p>Achieving Amber JAG accreditation in POW for 2 years.</p>
Patient Safety	<ul style="list-style-type: none"> • Reducing C-Diff, Refurbishment of Ward J • Provision of Dedicated Isolation Rooms, Morriston Ward S and Emergency Dept. • Plan Central Decontamination POW 	<p>Always Improving – upgraded environments, seek out learning, positive attitude</p> <p>Working Together – acting on feedback, involving users</p>
Supported Delivery of new Service Models	<ul style="list-style-type: none"> • Provision of Vanguard Units, Morriston Hospital • Installation of new DR Units in POW and procuring DR at NPTH 	Always Improving – development of new services helping winter bed pressures.
Contribution to Regional Services	<ul style="list-style-type: none"> • Regionalisation of Pathology Services 	Working Together – working with HDda and WHSC

The *Contractor's* share percentages and the share rates are applied to the Stages of the scheme as follows:

A. All Stages apart from Stage 4, 5 and 6:

The *Contractor's* share percentages and the share ranges are

Share range	<i>Contractor's</i> share percentage
Less than 100%	Nil
Greater than 100%	100%

B. Stage 4, 5 and 6 - Design completion, construction, operational commissioning, project closure

The *Contractor's* share percentages and the share ranges are

Share range	<i>Contractor's</i> share percentage
Less than 97.5%	Nil%
From 97.5% to 100%	50%
Greater than 100%	100%