Sandwell and West Birmingham Hospitals NHS Trust
Midland Metropolitan Hospital Project
Outline Business Case

Appendix 11a Project Execution Plan

Midland Metropolitan Hospital Project

Project Execution Plan
Procurement Phase

Version 2.0

Document History

Document Location	PEP, Project Management, Project Library on SharePoint

Revision History

Version	Date	Author	Summary of Changes
0.01	20.06.08	Andrea Bigmore	First draft for discussion with Core Project Team
0.02	27.06.08	Andrea Bigmore	Updated with comments from Core Project Team
0.03	15.07.08	Andrea Bigmore	Updated with comments from the Project Team
0.04	10.10.08	Andrea Bigmore	Updated with project resources and budget
0.05	29.10.08	Andrea Bigmore	Updated with Project Team, Core Project Team and Project Board comments: Addition of information about competitive dialogue and project structure
1.00	05.1.08	Andrea Bigmore	Final version for OBC submission with final adjustments
1.1	04.08.10	Andrea Bigmore	Update for OBC Update submission on 11.08.10
2.0	16.12.13	Daphne Lewsley	Update for OBC submission March 2013

Distribution

This document has been distributed to:

Name	Date of issue	Version
Core Project Team	20.06.08	0.01
Project Team	30.06.08	0.02
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Maureen Conneely for OBC	12.11.08	1.00

Approvals

This document requires the following approvals.

Version	Approved by	Comment	Date
1.0	Project Board	Approved subject to final adjustments which have been incorporated	23.10.08

Contents

1. Introduction

This document has been updated for submission with the OBC Update.

1.1 Purpose of Document

This Project Execution Plan (PEP) describes how Phase Two: the Procurement Phase of the Midland Metropolitan Hospital Project will be delivered.

The PEP sets out the systems and processes by which the Project will be planned, monitored and managed. It is owned, maintained and used by the Trust's MMH and Reconfiguration Committee and Core Project Team to ensure the successful day-to-day operational management and control of the Project and the quality of the outputs.

The purpose of the PEP is to:

- Establish the background and review the project definition and brief
- Review the project objectives
- Define the governance arrangements and the roles and responsibilities of those delivering the Project
- Set out the resources available and the budgetary control processes
- Set out the project timetable
- Define the approach and the project management arrangements
- Present the approach to engagement and communication
- Identify the assumptions, constraints and risks relating to the Project and set out the risk management processes

This is a live document that will be updated by the Core Project Team during this Phase of the project. This baseline version of the document will be retained in the project library once approved by the MMH and Reconfiguration Committee, with subsequent releases also retained. A new PEP will be developed for the Construction and Commissioning Phase of the Project.

1.2 Document Scope

The scope of this PEP covers the Procurement Phase, from OJEU to the approval of a Concluding Business Case, the award of contracts and financial close.

It includes the activities required to procure a new hospital through the Private Finance Initiative (PF2) route.

The document refers to the Midland Metropolitan Hospital Project; the wider RCRH Programme is outside the scope of this project.

2. Background

2.1 Right Care Right Here (RCRH)

Sandwell and the West of Birmingham have some of the highest levels of deprivation in the country. This is a major factor in determining the poor health of the diverse and disadvantaged communities. Local health and social care services face very challenging health needs that are a major cause for concern. For example:

- Men and women live three to four years less than the national average
- Infant mortality rates are high, in some parts they are twice the national average
- One in five people have a long-term illness that affects their daily life
- There is significant variation in health status within the area, and in general Black and Minority Ethnic groups have poorer health than others

The need for major investment to develop and improve health and social care services to address these needs was formally recognised by the development of a Strategic Outline Case (SOC) during 2003 and 2004. The SOC set out a clear direction of travel to deliver a vision of improved physical, mental and social well-being for the population of Sandwell and the west of Birmingham, and described the need to redesign the whole health and social care system by creating a major step change in service provision.

The SOC indicated a required re-balancing of capacity to reflect a substantial transfer of care into a primary care setting alongside a demanding performance improvement in acute hospital services. Substantial reductions in hospital lengths of stay are anticipated, with much of the consequent reduction in acute hospital capacity being re-provided in new services and facilities closer to people's homes. Investment in community health and social care services, as well as investment in new acute hospital facilities, is seen as key to making the vision a success. This investment will also enable new models of care to be put in place in advance of any changes to acute hospital facilities. The SOC was approved by the Department of Health in July 2004.

The *RCRH Programme* is governed by the Partnership Board, which was formally established in March 2005, and now comprises the following partner organisations:

- Sandwell and West Birmingham Clinical Commissioning Group
- Black Country Partnership
- Birmingham Community Health Services
- Sandwell and West Birmingham Hospitals NHS Trust (SWBH)
- Birmingham City Council (BCC)
- Sandwell Metropolitan Borough Council (SMBC)
- Birmingham and Solihull Mental Health NHS Foundation Trust (BSMHFT)

The Partnership Board agreed that the lead responsibility for the preparation of an Outline Business Case for and the procurement of, the acute hospitals services component should be assumed by the SWBH NHS Trust.

An Outline Business Case (OBC) was produced for development of a new Acute Hospital to be built on a brown field site in Smethwick. This will bring the most acute / specialised SWBH services onto one site and facilitate the delivery of a new model of care. It is assumed that the Hospital will be procured using the Private Finance Initiative (PF2) approach.

This OBC was approved by the Strategic Health Authority (SHA) in January 2009 and the Department of Health in August 2009.This allowed the Trust to commence the land acquisition through a CPO process.

An OBC update is currently being prepared and reviewed by the NHSTDA / DH and HM Treasury prior to progression to the procurement phase of the project.

Separate Outline Business Cases will be produced where necessary for the SWBH capital developments outside the scope of the MMH PFI i.e. work required to develop retained estate on current hospital sites into future community facilities.

2.2 Progress with the Midland Metropolitan Hospital Project

2.2.1 Phase One: The Solution Phase

Progress with approvals can be outlined as follows:

- Outline planning consent was granted in October 2008
- Trust Board OBC approval in December 2008
- SHA Board OBC approval in January 2009
- DH OBC approval in August 2009
- CPO granted January 2010
- Outline planning consent refreshed July 2013
- Land Acquired January 2013
- Vacant Possession of land January 2014

Acquisition of land on the Grove Lane site, in Smethwick, is on the critical path of this project. A land business case was developed in parallel with the OBC to seek approval for purchase of the land. The Trust has now acquired the land and has achieved vacant possession.

2.2.2 Phase Two: The Procurement Phase

This document sets out the processes by which Phase Two: The Procurement Phase will be taken forward from OJEU to financial close.

3. Project Definition and Brief

3.1 Definition

It is assumed that the acute hospital facilities will be procured using the Government's Private Finance Initiative as amended by "Infrastructure – a new approach to public private partnerships" issued in December 2012 (PF2) . A private sector company or consortium will be selected using a competitive dialogue process, to design, build, finance and operate the facilities and provide a range of non-clinical support services. The NHS will provide and manage all clinical and most soft Facilities Management (FM) services.

Delivery of the acute hospital procurement involves a number of discrete phases:

3.1.1 Phase One: The Solution Phase

This phase is nearing completion. It involves completion of the following work required to take the project to OJEU:

- Preparation and approval of an Outline Business Case
- Preparation and approval of the facilities and services specifications and associated documentation required to enable the procurement stage to commence
- Preparation of the documents required for initiation of the procurement process
- Preparation and approval of a Business Case for the purchase of the land required for the new hospital
- Preparation and execution of a compulsory purchase order if required to acquire the land for the new hospital site
- Preparation of an updated OBC for HMT approval prior to initiation of the procurement
- Pre market engagement with potential bidders

3.1.2 Phase Two: The Procurement Phase

This phase involves the following activities to take the PFI procurement from OJEU to Financial Close:

- Placement of an advertisement in the Official Journal of the European Union (OJEU)
- Pre-qualification resulting in a shortlist of viable bidders
- Issue of Invitation to Participate in Competitive Dialogue (ITPD) and initiation of the competitive dialogue process
- Competitive dialogue with three bidders and interim bids are prepared
- Evaluation of proposals reducing bids from three to two
- Competitive dialogue with two bidders and draft bids are prepared
- Approval of Appointment Business Case (ABC)
- Permission to close dialogue
- Submission and evaluation of Final Bids

- Selection of Preferred Bidder (PB) the Trust is minded to appoint
- Due Diligence
- Appointment of PB
- Funding competitions for senior debt and equity, planning approval, Concluding Business Case (CBC)
- Financial Close

3.1.3 Phase Three: Construction and Commissioning

This phase will deliver the new hospital facility, commission the building and end in the opening of the new hospital

3.1.4 Phase Four: Evaluation

This phase will consist of evaluation of the project and of the new hospital services. Evaluation will take place at intervals determined by the Post Project Evaluation Plan.

Post Project Evaluation will be supported by the activities of benefits realisation to ensure that the objectives of the new hospital are fully met.

3.2 Project Scope

The project scope is outlined below for the procurement, service development and workforce redesign elements of the project.

Procurement:

Included	Excluded
Procurement of a new acute hospital through the PF2 route.	Development of retained estate to provide community facilities including the new community hospitals including Sandwell General Hospital, Rowley Regis Hospital , Leasowes and the Sheldon Block. (A separate PEP will be prepared for these projects) Development of a staff gym and day nursery on the Grove Lane site Development of a separate academic education and research building on the Grove Lane site
Installation and commissioning of ICT network infrastructure in the new hospital	Computer hardware and software solutions
Procurement, supply and installation by Project Co of defined items of equipment	Equipment management services and transfer of equipment from existing premises
Maintenance, repair and lifecycle of the new acute hospital facility	
All hard facilities management (FM) services	All other soft FM services

and pest control	

Service Development:

Included	Excluded
Development of the new acute hospital service model	Interim reconfiguration service programme and ongoing Trust service performance improvement and transformation programmes
Acute hospital care pathways	Whole system care pathways being developed by the *Right Care Right Here Programme*
Operational policies for the new Acute Hospital services (includes soft FM services which are excluded from the PFI)	Development of new outreach services delivered by Acute Hospital staff

Workforce Redesign:

Implementation of the workforce transition model supporting the new acute hospital service model	
Development of new medical and nursing models to support the new acute hospital service model	Ongoing Trust workforce development activities outside the scope of the new acute hospital project
Training, development and recruitment of staff required to fulfill new roles for the new acute hospital service model	

3.3 Interfaces

Phase two of the project will interface with the following:

- The *RCRH Programme*
- Development of the Community Facilities to be provided in retained estate
- Third parties involved in the development of the day nursery , staff gym and academic building to be developed on the hospital site
- Local regeneration activities involving Advantage West Midlands, English Partnerships and Sandwell MBC
- Implementation of plans supporting Foundation Trust development

4. Programme and Project Objectives

4.1 RCRH Programme

The expected outcomes of the RCRH Programme are significant. Local people will have improved physical, mental and social well-being through:

- Prevention of ill health and promotion of healthy lifestyles through education and leisure
- Earlier identification and intervention of specific conditions which improves life expectancy and chances of recovery
- Re-organisation of services to reduce professional isolation, achieve greater critical mass, deliver better clinical quality of services and achieve greater sustainability for services
- Delivery of care closer to people's homes e.g. local diagnostic services
- Development of a single care pathway for service users by integrating services across towns and wards with agencies working together to manage people's care, underpinned by information sharing
- Support to enable people to stay in their own homes e.g. teams dedicated to maximising people's independence and quality of life and support packages
- Better physical environments for service users and staff which encourage more rapid recovery and give greater privacy and dignity
- Involvement of local people as active participants in the development of services so they provide choice, are culturally sensitive and convenient which contributes to the regeneration of their communities through the provision of improved health and social care services
- More effective use of staff resources and greater diversity in the workforce that reflects local communities
- Integration of health plans with local regeneration developments e.g. transport, housing

4.2 Midland Metropolitan Hospital Project

The objectives for the Midland Metropolitan Hospital Project are summarised below:

- To move to a single acute hospital site
- To develop a high quality hospital building
- To implement a new model of care
- To deliver the best possible quality of care
- To develop staff and provide an optimal working environment

4.3 Objectives of Phase Two: The Procurement Phase

The objectives of the Procurement Phase of the Midland Metropolitan Hospital Project are to:

- To attract a shortlist of viable bidders to launch the competitive dialogue process
- To work effectively with bidders through the competitive dialogue process to achieve the best possible outcome for SWBH in the procurement of the Midland Metropolitan Hospital facility
- To select the Preferred Bidder and gain approval for the ABC
- To gain full planning approval
- To gain approval of the FBC and to reach financial close
- To continue the development of a new service model that will provide effective, patient focused, clinical care
- To implement the first stages of a robust workforce transition plan

5. Governance, Roles and Responsibilities

The project will be managed in line with best practice ensuring that roles and responsibilities are clearly defined. Decision making will be transparent and will be documented appropriately to ensure a robust audit trail. Key roles have been identified in line with Office of Government Commerce (OGC) guidance. Detail about what these roles involve can be found in the OGC Successful Delivery Toolkit: http://www.ogc.gov.uk/resource_toolkit.asp

5.1 The Senior Responsible Owner (SRO)

The SRO is personally accountable for the success of the project ensuring that the project meets its objectives and delivers benefits. The SRO should ensure that the project maintains business focus in a changing healthcare context and that risks are managed effectively. The Chief Executive undertakes the SRO role for this project.

5.2 The Project Director

The Project Director is responsible for day to day decision making on behalf of the SRO and setting high standards for delivery of the project. The Director of Estates undertakes the Project Director role for this project.

5.3 The Project Manager

The Project Manager coordinates the activities of the Core Project Team on a day to day basis and is responsible for ensuring that:

- The competitive dialogue process runs smoothly
- The Project Office runs effectively
- Requests for information are managed transparently to avoid unfair advantage or that commercial confidence is respected when intellectual property requires protection
- Issue and change management processes are managed in line with policy
- Project standards are maintained
- The project plans and budgets are managed effectively

The Commercial Manager undertakes the Project Manager role for this project.

5.4 The Trust Board

The Trust Board is the investment decision maker for the project ensuring that the project has a viable and affordable business case. The Board will require evidence that the project can deliver value for money and best quality healthcare for the local community through effective management of the procurement process.

5.5 The Configuration subcommittee

The Configuration subcommittee of the Trust Board will provide assurance to the Trust Board.

The Configuration subcommittee will:

- Oversee the competitive dialogue process ensuring that best practice is carried out in line with EU regulations
- Approve project plans and monitor progress against plan
- Approve and sign off the key outputs and decisions at each stage of the project
- Review and act on factors affecting the successful delivery of the project
- Review serious issues, which have reached threshold level, considering requirement for changes to the project scope, budget or timescale if required
- Broker relationships with stakeholders within and outside the project to maintain positive support for the acute hospital development.
- Maintain awareness of the broader perspective advising the SRO on how it may affect the project

The Configuration subcommittee will delegate authority, to the MMH and Reconfiguration Committee of the Clinical Leadership Executive and Core Project Team to ensure that the project meets its objectives.

The Configuration subcommittee is chaired by the Chair of the Trust Board. Membership is presented below:

Title	Organisation
Trust Chair (Chair)	SWBH NHS Trust
Non-Executive Director	SWBH NHS Trust
Non-Executive Director	SWBH NHS Trust
Non-Executive Director	SWBH NHS Trust
Chief Executive	SWBH NHS Trust
Director of Estates and New Hospital Project	SWBH NHS Trust
Medical Director	SWBH NHS Trust
Director of Finance and Performance Management	SWBH NHS Trust
Director of Strategy and Organisational Development	SWBH NHS Trust
Chief Operating Officer	SWBH NHS Trust

The quorum will be at least six members including one Non-Executive Director.

5.6 The MMH and Reconfiguration Committee

The MMH and Reconfiguration Committee is a committee of the Clinical Leadership Executive comprising a group of SWBH Executive Directors and representatives of the seven Clinical Groups who manage the operational services of the Trust. They will provide leadership within the organisation to ensure successful delivery of the project and assurance to the Clinical Leadership Executive and Trust Board about the project. The group will provide guidance to the Project Director and ensure that Trust resources will be available to support the project.

The group will:

- Provide leadership, mandate and focus within the Trust ensuring that Clinical Group objectives will drive effective delivery of the competitive dialogue process
- Provide advice to the Project Director, Configuration subcommittee and Trust Board, raising any concerns and providing expert opinion to support decision making
- Resolve issues at organisational level when the Core Project Team requires assistance
- Resolve issues which impact on SWBH involving senior external stakeholders, the press, Government, arms length bodies etc.
- Provide assessment of serious issues
- Manage changes to the project where required ensuring tight control of cost
- Ensure that project plans are achievable and facilitate delivery as required
- Review the risk register on a quarterly basis / at key milestones, advise the Configuration subcommittee prior to approval and help the Core Project Team mitigate risks at organisational level

The MMH and Reconfiguration Committee will report to CLE, be chaired by the SRO and will comprise the following membership:

Title	Organisation
Chief Executive Officer(Chair)	
All Executive Directors	SWBH NHS Trust
Commercial Manager	SWBH NHS Trust
Redesign Director	SWBH NHS Trust
Representatives of each Clinical Group	SWBH NHS Trust

Issues exceeding the delegated authority of The MMH and Reconfiguration Committee will be referred to CLE or to Trust Board

5.7 Core Project Team

The Core Project Team is the group of individuals with appropriate and complementary professional, technical or specialist skills who, under the direction of the Project Director and coordinated by the Commercial Manager, are responsible for carrying out the work detailed in the project plan. (See OGC Toolkit: Project Team for more information)

The Core Project Team is responsible for:

- Planning and delivering the competitive dialogue and bidder evaluation process and all other activities to financial close
- Developing and maintaining project plans
- Co-ordinate working groups and evaluation teams as required
- Monitoring progress and reporting to MMH and Reconfiguration Committee and Configuration subcommittee
- Managing issues as they arise in line with the issue management policy and escalating those above threshold to the MMH and Reconfiguration Committee

- Managing project advisors, ensuring that their contribution is well understood and that the Trust obtains best advice and value
- Managing risks in line with project risk management strategy
- Ensuring effective development and delivery of the Engagement and Communications Plan

Title	Organisation
Director of Estates and New Hospital Project	SWBH NHS Trust
Commercial Manager MMH	SWBH NHS Trust
Redesign Director – Right Care Right Here	SWBH NHS Trust
Deputy Redesign Director – Right Care Right Here	SWBH NHS Trust
Head of Estates	SWBH NHS Trust
Deputy Director of Workforce	SWBH NHS Trust
Deputy Director of Nursing	SWBH NHS Trust
Lead Project Accountant	SWBH NHS Trust
Project Manager MMH	SWBH NHS Trust

The Core Project Team will meet weekly, or as required, to co-ordinate the work required by the project. The group will manage delivery in line with:

Agreed project management procedures and standards (see section 8)

Delegated authority, referring all matters outside their scope to the Configuration subcommittee and MMH and Reconfiguration Committee

The Core Project Team reports to the MMH and Reconfiguration Committee -see Project Governance Structure below.

5.8 Dialogue and Evaluation Groups

Dialogue and Evaluation Groups will be formed prior to OJEU. Terms of Reference will be established with the groups at initiation. These groups will report to the MMH and Reconfiguration Committee through the Core Project Team.

Further detail about the roles and responsibilities of these groups will be presented in ITPD Volume 4.

Technical, Legal and Finance advisors will support the procurement process as outlined in their tender documents.

5.10 The Clinical Leadership Executive

The Clinical Leadership Executive maintains an overview of the clinical brief and the activity and financial parameters set by the MMH and Reconfiguration Committee. It provides clinical leadership in relation to the design process and will inform evaluation of

bidders' proposals in the PF2 process.

The Clinical Leadership Executive includes the management teams of the Trusts seven Clinical Groups and the Executive Directors of the Trust.

5.11 Land Acquisition

A Land Acquisition Group was formed during Phase One of the project to acquire the land required to build the hospital. This group will continue to meet until the final amounts due for the land acquired under compulsory purchase have been agreed and paid.

This group is responsible for:

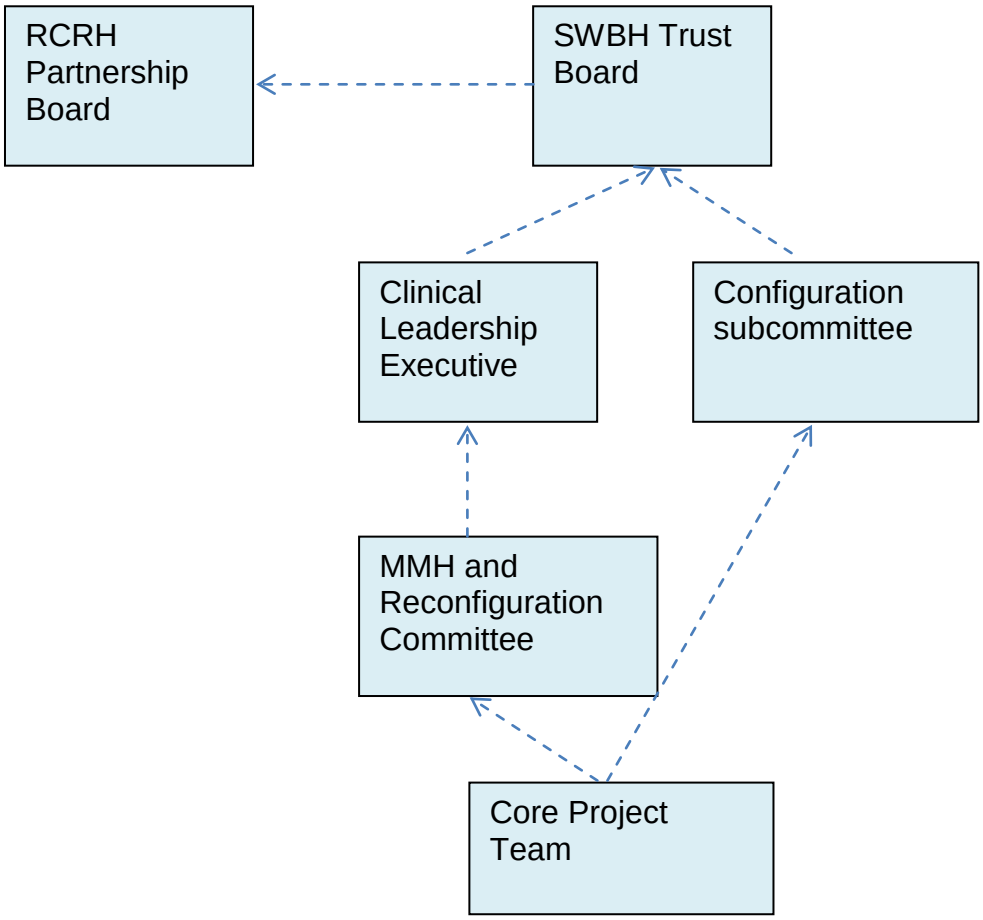
- Completing purchase of land required for the hospital site
- Arranging agreed demolition works on the land acquired
- Ensuring that this work is completed to timeframe achieving path to land before initiation of the procurement process
- Managing budget in line with the capital programme

Membership of the group is presented below:

Title	Organisation
Director of Estates and New Hospital Project	SWBH NHS Trust
Head of Estates	SWBH NHS Trust
Commercial Manager	SWBH NHS Trust
Finance Director	SWBH NHS Trust
Advisors as required	Various

5.12 The Project Structure

The project structure is shown below



The Project Structure and the terms of reference of all groups will be reviewed prior to initiation of Phase Two of the Project and at the end of each stage until financial close.

5.13 Project Audit and Review

The project is subject to external assurance and review through internal audit, Gateway Review and the Design Review Panel.

5.13.1 Audit and Project Assurance

CW Audit provides Internal Audit services to the Trust. The Internal Audit department has appointed an Auditor to this Project.

The Project Auditor and Finance Director will consider whether aspects of the project should be reviewed as part of the Trust Audit Programme.

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5.13.2 Gateway Review

Gateway review forms part of a Government initiative to support the improved management of major public sector projects.

Gateway 2: Delivery Strategy will be undertaken prior to initiation of Phase Two of the Project.(note – the project undertook a Gateway 2 review in 2010 and achieved an amber green rating. This will be repeated in 2014 prior to going to market)

Gateway 3: Investment Decision will be undertaken during the Procurement Phase.

Gateway 3a investigates the Appointment Business Case and the governance arrangements for the investment decision. The review is undertaken prior to selection of the preferred bidder in Stage 3 of the Procurement Phase.

Gateway 3b does the same prior to submission of Concluding Full Business Case.

5.14 Freedom of Information (FOI)

All Project information will be made public except where it would be in breach of patient or staff confidentiality and commercial interests.

5.15 Conflicts of Interest

- A Register of Interests of all project staff and advisors has been established and will be formally updated and reported to the Project Board at intervals determined by key decision points in the project.
- All project staff, advisors and other persons who may have access to commercially sensitive information will be required to complete a declaration of interest, including a nil return, prior to gaining access to such information.
- Where a person is found to have a conflict of interest they will not be given access to such information and will be required to take no active part in the relevant part of the programme.

5.16 Confidentiality

- All project staff, advisors and other persons who may have privileged access to information that is considered to be commercially confidential will be required to sign a confidentiality agreement before gaining access to such information.

6. Project Resources

6.1 Personnel

6.1.1 Posts Funded by the Project

The project will be staffed by the following posts (14/15) :

Project Director	0.8WTE
Commercial Manager	1 WTE
Project Manager	1 WTE
Workforce Lead	1 WTE
Accountants / Commercial	3 WTE
Redesign Director: RCRH	0.4 WTE
Service Development Managers	2 WTE
Head of Estates	0.65WTE
Project Managers Capital Projects	1WTE
Equipping Manager	1 WTE
Estates Managers	2 WTE
Facilities Managers	1 WTE
Project Administrators:	2 WTE

6.1.2 Project Advisors

- The following project advisors have been appointed:

Advice requirement	**Company**
Legal advisors	Pinsent Masons
Financial Advisors	Deloitte
Co-ordination of technical advice	Capita Consulting
Health Planning	Capita Consulting
Facilities Management	Capita Consulting
Equipping	MTS
Architecture	Nightingale Associates
Town Planning	Nightingale Associates
Engineering	Hulley & Kirkwood
Traffic & Transport	Hulley & Kirkwood
Quantity Surveying	Cyril Sweett Limited (incorporating Nisbet)

Advice requirement	Company
Life Cycle Analysis	Cyril Sweett Limited (incorporating Nisbet)
Health & Safety	Cyril Sweett Limited (incorporating Nisbet)
Costing Services	Cyril Sweett Limited (incorporating Nisbet)
Insurance	Willis Ltd

6.1.3 Support from SWBHT Trust's existing workforce

These posts will provide active input into the project and will have the requirement described in their personal objectives:

- Executive Directors
- Lead Clinicians in Clinical Leadership Executive
- Clinical , operational and corporate staff input as required during 1:200 development
- Deputy Nurse and Medical Directors
- Group and departmental managers
- Project Auditor
- Staff side representatives

6.1.4 Partner Organisations

The following resources will be made available from within partner organisations when required:

- RCRH Programme Director and team
- Support for joint work on workforce, service and financial planning

6.2 Project Budget

The project budget is presented at **Appendix A**.

7. Project Timetable

7.1 Project Phase Structure

The project is divided into five phases:

Phase		*End Date*
Phase One:	The Solution Phase	April 2014
Phase Two:	The Procurement Phase	January 2016
Phase Three:	The Construction and Commissioning Phase	October 2018
Phase Four:	The Evaluation Phase	Dec 2020

This document describes the Project Execution Plan for Phase Two: The Procurement Phase.

7.2 Stage Structure for the Procurement Phase

The Procurement Phase of the project is divided into the following stages:

- Prequalification (from Issue of OJEU notice to short listing of bidders for the competitive dialogue (CD) process)
- ITPD Clarification
- CD to interim submission and selection of two bidders
- CD to draft final bid proposals
- Draft Final Bid Proposals
- Approval of Appointment Business Case and Closure of Dialogue
- Final Bid Proposals
- Selection of Preferred Bidder
- Preferred Bidder to Financial Close

The project plan (**Appendix B**) provides an overview of the Procurement Phase of the project.

The key dates and processes are summarised in the following diagram.

Summary of key dates and processes MMH program v019 -021213

	24/04/2014		03/07/2014		06/11/2014		18/02/2015		27/05/2015		19/08/2015		24/03/2016		26/07/2018	18/10/2018
	OJEU issued		Appoint 3 bidders		Trust Board approve 2 bidders		2 bidders issue draft final bids		Conclusion of dialog		Preferred Bidder Appointed		Financial Close		Practical Completion	Hospital fully open
PQQ - appoint 3 bidders	50 working days															
CD with 3 -interim submissions - reduce to 2				90 working days												
CD with 2 - draft final bids						75 working days										
Evaluation and approvals - conclusion of dialog								70 working days								
Conclusion of Dialog - appointment of preferred bidder (includes due diligence)										60 working days						
Full planning permission, judicial review , funding competitions to Financial Close												156 working days				
Construction															28 months	
Commissioning																12 weeks

8. Project Management

8.1 Project Approach

The procurement of the new hospital will be managed through the competitive dialogue process in line with EU regulations and based on the draft guidance documents listed below:

- The Private Finance Initiative: How to Conduct a Competitive Dialogue Procedure (Draft guidance), 14/11/2006
- The Design Development Protocol for PFI Schemes, Consultation draft of procedural guidance for Competitive Dialogue, August 2007

In addition the Core Project Team will network with others already working through the process ensuring that the project responds to best practice and lessons learned elsewhere.
The Core Project Team will undertake training in negotiation skills, briefing from Trust advisors and planning prior to each stage of the competitive dialogue process. This will ensure that the team is prepared for the process. Robust communication and evaluation tools will be developed / procured to provide a clear audit trail for decision making and information exchange.

Clinical and other stakeholders involved in the dialogue process will prepare for dialogue in briefing and planning workshops prior to each stage of their involvement.

Prior to initiation of Phase Two of the project the full set of procurement documentation, including the Memorandum of Information (MOI), Invitation to Participate in Dialogue (ITPD), Project Agreement (PA), schedules and other associated documents will be developed.

A programme for review of the procurement documents has been agreed with the DH and Private Finance Unit (PFU). This work will be undertaken during January and February 2014.

A summary of the approach to procurement is presented at ***Appendix C***

8.2 Project Policies and Procedures

The project will continue to be managed in line with PRINCE2 and OGC standards. The following sections outline the policies, procedures and control processes to be used to ensure effective delivery of the project.

8.4 Management of the Approvals Process

The Core Project Team will maintain effective communication with PFU and NHSTDA throughout Phase Two of the project seeking advice at each stage to ensure progress of the project.

The approvals timetable will be agreed with NHSTDA, PFU and HMT with review steps included prior to formal submissions to smooth the way to approval at each stage.

8.5 Management of Project Advisors

The Core Project Team will work closely with advisors ensuring that project objectives are met effectively with best use of resources and maximising knowledge transfer. The advisors will be tasked with developing the capability of their clients for the benefit of the project.

The approach to this will be as follows:

- Advisors will share best practice from other projects they are aware of
- Core Project Team members will network with peers from other projects to seek lessons learned in relation to working with their advisors
- Only work requiring specialist knowledge and skills will be completed by the advisors; preparatory work and work requiring local knowledge will be managed by Core Project Team members
- The advisors will support the bidding process by being in attendance at key meetings with bidders, advising the team on their approach to bidders and providing technical advice to ensure the best possible outcome for the Trust
- Contract management arrangements will be used to ensure that Trust expectations are met. For example the *'Client Service Partner'* at Pinsent Masons will undertake reviews with the Project Director at key points in the project to determine whether Trust requirements are being met
- The legal advisors will provide regular advice on project governance and will check that Board papers meet requirements for the procurement process

8.5.1 Monitoring of costs for Project Advisors

The fee position for each of the advisors will be reviewed on a monthly basis.

Invoices and timesheets will be reviewed and authorised by the lead manager.

Advisors will identify any new work required outside tendered services.

8.6 Issue Management

An issue is an immediate problem or concern requiring resolution. This is distinct from a risk, which is the chance of something happening in the future that will have an impact upon delivery.

Issue management is the process for ensuring that issues are recorded, assessed and resolved to ensure successful delivery of the project. It may involve a requirement to use change control procedures to enable the project to move forward.

Issues in relation to timescale, design, cost, quality, performance and stakeholder opinion can be raised at any time in the project. Issues can be raised by anyone involved in the project or by anyone with an interest in the project.

The Project Manager will be responsible for:

- Capturing issues in the Issue Log as they are reported
- Presenting issues to the Core Project Team for assessment
- Documenting action taken
- Recording change control procedures
- Following through to review outcome
- Recording closure of issues when resolved

The Core Project Team will be responsible for:

- Identifying issues as they arise
- Assessing issues to consider solutions
- Determining action required
- Allocating an issue owner
- Referring issues to the MMH and Reconfiguration Committee when it is outside their authority to act
- Referring the issue to change control procedures as required
- Confirming resolution of issues
- Reviewing the issue log to monitor progress

Any issues that cannot be resolved by the Core Project Team will be referred to the MMH and Reconfiguration Committee. This might include matters that require Executive Directors working to resolve issues with the wider organisation or wider context.

All other issues will be documented, assessed and resolved by the Core Project Team.

The MMH and Reconfiguration Committee will be responsible for:

- Helping the Core Project Team resolve issues at organisational level
- Helping the Core Project Team resolve issues involving senior external stakeholders, the press, Government, arm's length bodies etc.
- Providing assessment and recommendations for issues requiring change control

8.7 Change Control

All changes are treated as project issues and managed through the process outlined above.

When an issue requires a change within the project a Change Control Notice should be completed and recorded in the Change Control Register.

If the change can be absorbed within the authority of the Core Project Team it will be the responsibility of the designated lead to manage the change. Any change in design that does not impact on cost will be managed by the Core Project Team

The following changes will be outside the authority of the Core Project Team and will be managed in line with the issue management policy:

- Any change to the scheme which will have a cost impact
- Change in timescale outside threshold of one month or which move the end date of any phase
- Any change impacting on the RCRH Programme service model

8.9 Project Administration

The work of the Core Project Team is facilitated by the following systems:

8.9.1 E-Box

E-Box will provide:

- Electronic data room
- Collaborative working space
- An evaluation module to assist in evaluation of bidder deliverables

8.9.2 Competitive Dialogue Data Room

All documents required by bidders during the Competitive Dialogue process will be kept electronically on E-Box

The arrangements for document management will be reviewed prior to OJEU.

8.9.3 Project Support Office

Job Role	Project Responsibility	Managed by
Project Administrators	Core Project Team Administration E-Box Administration Project Office support Register of Interests Project management support Technical administration support User group administration Administrative support for the project	Project Manager

The administrators are able to provide cross cover for each other providing a seamless project office function.

There is a Project Office e-mail address and phone number managed by the Project Administrators. These contacts will be available on the Project website page to facilitate access to the Project Office.

The Old Management Block will act as the Project Headquarters providing a focus for project meetings and activities during the procurement phase.

8.9.4 Meetings

Minutes will be produced for all meetings of the MMH and Reconfiguration Committee and Configuration subcommittee with approved copies kept on central project files.

The Trust Board will receive minutes of the Configuration subcommittee.

9. Engagement and Communication

Engagement and Communication will be a continuous process throughout the life of the project.

A member of the Communications team will coordinate the delivery of the engagement plan and work closely with the Core Project Team to ensure that consistent messages are being conveyed. They will report on progress to MMH and Reconfiguration Committee.

9.1 The Engagement Strategy and Plan

A range of engagement activities will be delivered in line with the principles of the *'RCRH'* Engagement and Communications Strategy.

The Trust will develop an Engagement Plan which outlines the methodology, activities and timeframe for delivery of the Engagement and Communications strategy.

. This will demonstrate the approach to involving staff and the public through the procurement phase of the project.

9.2 Equality Impact Assessment (EIA)

An Equality Impact Assessment Plan has been developed to ensure that EIA takes place at key stages in the project. The process will involve the following activities:

- EIA screening and assessment
- Action planning with engagement from interest groups and the wider public
- Publication of reports and plans
- A Steering Group will oversee the process and ensure delivery of the EIA plan.

10. Assumptions, Constraints and Risks

10.1 Assumptions

The project will proceed on the basis of the following assumptions:

- Authority to proceed with the project will be granted by the Trust Board, NHS TDA, DH and Treasury
- Adequate funding for the project will be maintained and costs contained within plan
- Key staff will be available to support the project
- The development will move through each stage of Phase Two to end successfully in Financial Close

10.2 Constraints

The project will be delivered within the following constraints:

- The project will stay within the scope of the '*RCRH*' service model
- The project will stay within affordability constraints
- Proposed solutions will deliver to nationally set clinical standards and technical /building standards
- The procurement will be managed in line with EU and PFU regulations

10.3 Risks and Risk Management

The risk categories for the project are as follows:

- **Project resources** – loss of staff / advisors or insufficient funding to complete the project
- **Procurement process** – lack or loss of bidders, process fails to deliver an acceptable bid, disagreement between partners
- Errors or poor data in baseline documents - OBC / PSC / other sources
- **Stakeholder concerns** – change in partners' positions, delay in community developments, failure to obtain approvals, staff / public objections etc.
- **Financial** – ensuring an affordable programme of investment which demonstrates Value for Money
- **Maintaining strategic fit** - with national, regional and local strategic health planning requirements
- **Clinical support** – lack of clinical support for development
- **Organisational change** – Organisational instability could slow decision-making or delivery or result in poor decisions being made
- **Local support** - the significant service changes proposed by the *RCRH Programme* will need the support of the local population and their representatives
- **Estates issues** - including those associated with a new brown field site

- **Workforce** - both in terms of numbers and skill mix
- **Transport -** policies and infrastructure

A current stage Risk Register has been established and is being maintained for the project. A next stage Risk Register will be established and agreed prior to Phase 2.

Qualitative and quantitative measures are being used to calculate the overall level of risk according to their impact and probability.

The register records:

- A description of the risk and the scope of its potential impact
- The probability of the risk occurring (with a score of between 1-5, 1 being the highest, 5 the lowest)
- The level of impact (with a score of between 1-5 as above)
- Risk management arrangements to minimise the probability and /or impact

The Risk Register for the current stage is reviewed and updated on a quarterly basis / or at project milestones by the Core Project Team. The outcome will be reported to the MMH and Reconfiguration Committee and Configuration subcommittee.

Red risks will be entered onto the corporate risk register.

New risks will be reported as they arise. They will be placed on the risk register and the Core Project Team will analyse them for impact and probability. The Core Project Team will consider potential approaches to mitigation and identify a risk owner. Risk owners will be contacted to agree an approach to mitigation.

Risks analysed as red, following first line mitigation action planning, will be reported to the Project Director straight away.

The other risks will be managed by the risk owner and reviewed by the Core Project Team.

Appendix A- Budget

MMH /Community Facilities	Budget 2014/15 to 2019/20					
	14/15	15/16	16/17	17/18	18/19	19/20
	£	£	£	£	£	£
Pay						
Project Office	382000	382000	317000	317000	317000	317000
Human Resources	46000	46000	106000	106000	106000	46000
Finance	180000	180000	130000	130000	130000	130000
Redesign	405000	230000	170000	350000	350000	260000
Estates	366000	366000	446000	446000	466000	295000
Total Pay	**1379000**	**1204000**	**1169000**	**1349000**	**1369000**	**1048000**
MMH Project Office Non Pay						
Engagement and Comms	30000	20000	10000	10000	30000	30000
Boot Camp expenses	50000	50000				
Market Engagement						
Misc (stationery,printing,travel etc)	40000	40000	40000	40000	40000	40000
Sub-Total Project Office NonPay	**120000**	**110000**	**50000**	**50000**	**70000**	**70000**
Advisor Costs						
OBC						
Development of workforce model						
Development of activity model						
External Assurance						
Update Outline Planning Permission						
Business Case Production	15000	15000				
PSC refresh						
Sub-Total - OBC	**15000**	**15000**	**0**	**0**	**0**	**0**
PFI PROCUREMENT						
Insurance Advisor	3000	900				
Estates & Technical Against Tender	300000	188000	104000	39000	39000	
Estates & Technical Out of Scope						
Legal Advice Against Tender	100850	80000				
Legal Advice Outside Scope	100850	80000				
Corporate Finance Advice Against Tender	109850	60000				
Corporate Finance Advice Outside Scope	109850	60000				
Business, Finance, Activity & Project Management		4800				
IT Advisor	20000	20000				
Regeneration Advisor	5000	5000				
Warranty of Title -legal costs		50000				
Independent Tester			50000	100000	150000	
Due Diligence Advisors						
Bidder Costs						
Advisor Contingency	260000	220925	210000	210000	150000	210000
Sub-Total - PFI Procurement	**1,009,400**	**769,625**	**364,000**	**349,000**	**339,000**	**210,000**
Total Advisor Costs	**1,024,400**	**784,625**	**364,000**	**349,000**	**339,000**	**210,000**
Total Non Pay	**1,144,400**	**894,625**	**414,000**	**399,000**	**409,000**	**280,000**
Total Pay and Non Pay	**2,523,400**	**2,098,625**	**1,583,000**	**1,748,000**	**1,778,000**	**1,328,000**

Appendix B -Programme

Appendix C- High Level Procurement Strategy

1. Introduction

In December 2012, HMT launched the new PF2 procurement route by issuing "A new approach to public private partnerships". This guidance detailed the way PF2 differed from PFI. There were a limited number of changes proposed. Some contractual changes were described in detail in the initial document and in a new standard PF2 contract issued at the same time. Where appropriate, these have already been incorporated into our documentation.

There were four areas where the PF2 principle was set out in the initial guidance but further detailed guidance was promised. These were

- Reducing the competitive phase of the procurement to 18 months
- Issuing standard output specifications/ payment mechanism
- New Value For Money calculations
- The new equity funding model

The area which has required the most work has been the procurement plan itself.

The purpose of this paper is to describe the work that has been completed to date and the principles that are emerging.

2. Procurement Plan

2.1 Initial Targets

The procurement plan prior to reactivation of the project reflected a 36 month period from issuance of OJEU to financial close. 27 months was allowed from issuance of OJEU to appointment of Preferred Bidder. This reflected the actual experience of schemes running PFI procurements under competitive dialogue and in particular a long and complex approvals process prior to appointment of preferred bidder.

Under PF2 the competitive tendering stage (OJEU to preferred bidder) cannot take longer than 18 months without prior exemption from the Chief Secretary at HMT. The guidance states that after this point funding will not be approved.

In addition the trust has an aspiration to run as speedy and efficient procurement process as possible to reduce the risks during the design stage. A further target has been to aim for completion and opening of the new hospital outside of the winter months.

2.2 Key Measures

The project team have considered how we might redesign the process to meet these challenges.

Treasury have shared some draft guidance on lean procurement for PF2 which gives some pointers as to how they expect that this may be done. In addition we have

approached the Building Schools for the Future programme who launched the first PF2 OJEU at the end of June 2013. Their approach is not directly relevant to an acute hospital and they have the advantage of a single approval authority but they were helpful in sharing the level of design they intend to complete under competition.

The key measures we need to take are as follows:

- Significant pre market preparation and engagement both internally and externally.
- Use of intensive "boot camp" phases in the competitive dialogue stages
- Minimise the non-design stages of the procurement to the minimum possible.
- Engage with approvals bodies to resolve the procedure for approvals before the procurement starts

3. Proposed Procurement Stages

3.1 Pre Qualification Questionnaire stage

The first stage in the procurement is for the trust to issue an OJEU notice and invite responses from interested consortia by completion of a standard Pre Qualification Questionnaire. At this stage the test is only about the capacity and capability of the consortia.

Provided that there are three or more consortia that are above the line at PQQ, the trust must select a minimum of three with whom to conduct dialogue.

The previous plan allowed 3 months to conduct the PQQ stage. The new plan assumes the minimum period for the OJEU to run (30 calendar days) and a short evaluation period. This reduces the time needed on the basis currently anticipated OJEU date to just over 2 months.

The risk with this strategy is that an otherwise good consortium may make some error with its PQQ submission which we will not have time to clarify and sort out. This is a problem both from the possibility of excluding a good candidate and also from an increased risk of challenge to the process.

The mitigation for this is to hold pre market engagement which makes absolutely clear how the process will run and when the bidders need to be ready.

3.2 Design stage

The design stage runs from the point the bidders are appointed at the end of the PQQ stage and the trust issues its Invitation to Participate in Dialogue to the point at which they submit their first draft bids.
There is often a planned interim submission part way through the design stage which allows the authority to reduce the number of bidders with whom they develop a very detailed design.

The previous plan assumed that 3 bidders would be appointed initially (with a 4th as reserve for the first month), that we would reduce to 2 after 6 months and that a fully

finished design must be completed by both at the end of this stage to achieve price certainty. The stage in total was expected to last 15 months.

This is the riskiest stage of the process when bidders incur the most cost. It is important to retain competition throughout the process and to have a degree of certainty that a viable solution can be achieved before eliminating bids but we need to be realistic about how many bidders can be carried a significant way into the process. There is a clear tension between many highly developed bids and the resources needed on both the public and private sector side and indeed the time available to conduct the process.

We now propose to appoint three 3 bidders (with a 4th as a reserve) and to reduce to 2 bidders after four months. The stage in total is now expected to last seven and a half months with a total of 26 weeks in dialogue.

We are considering how to reduce the number of deliverables required at final bids stage to those required for price certainty. For example many 1:50s can be deferred to post preferred bidder appointment.

Another strategy we are adopting is to complete a refresh of our PSC and use this as an “exemplar” model.

This has a not insignificant cost both in terms of advisor time and input from trust staff however the advantages are potentially great.

They include:

- Up to date engagement on MMH design with the majority of trust staff can happen in house in a “safe” environment.

- We can form a small group of trained and expert staff who will be better able to participate in dialogue in a controlled way but will also maintain the internal engagement.

- This in turn allows us to fully use the “boot camp” approach where dialogue is short but continuous and intensive. Staff who participate in boot camps will need to be available for several weeks at a time, not for a series of two hour meetings over a matter of months which was the traditional approach.

- We can engage with bidders on the basis that we have a PSC we would be content with. It is our default position and affordable and we are happy to share the details with them. We are looking for design proposals which improve on this option. This approach is similar to that taken in Enniskillen. Two of our advisors worked on this project and we will take clear advice as to how to avoid taking design risk back to the trust whilst stopping bidders reinventing the wheel.

By utilising all these strategies we hope to reduce the design stage to less than 8 months.

3.3 Evaluation and approvals stage

In previous PFI competitive dialogue procurements this has been a stage where much time has been lost. The rules have been changing as each Trust goes through the process and no doubt will change again for us.

In principle the events that make up the stage are as follows:

- Bidders submit draft final bids
- Trust performs an evaluation on draft final bids
- Trust completes a generic appointments business case on the basis of the submitted bids(either could still be appointed preferred bidder at this stage)
- The appointments business case needs:
    - Confirmation of affordability by CCG
    - Agreement by NHSTDA or Monitor that the transaction is acceptable ie does not reduce the risk ratings to an unacceptable level
    - Approval by the DH PFU function (currently uncertain where this will be based in future)
    - Approval by the Treasury
- Once all the approvals have been achieved the Trust is given permission to close dialogue by the DH
- During the approvals period the Trust has carried on in dialogue with the bidders clarifying and feeding back in detail on weak areas in the draft final bids. The aim of this process is to ensure that there are two above the line bids submitted at the end and that there are no surprises in those bids.
- Once approval is received to close dialogue, the Trust closes dialogue and issues an Invitation to Submit Final Bids. From this point there can be no further significant changes to the scheme.
- Bidders submit Final Bids
- Trust evaluates Final Bids and decides on the Bidder it is minded to appoint as preferred bidder.
- Due Diligence advisors appointed early on on behalf of the senior debt funders review the bid at this stage.
- Once the Due Diligence advisors are content the Trust can appoint a preferred bidder.

This stage has been taking a year and more in many procurements.
The approvals have been happening sequentially and some approvals bodies have realised at this stage that there is no further opportunity to change the scheme and have taken the opportunity to reassess the strategic case. The approvals bodies, particularly Monitor have required extremely detailed information at this stage.

Previously we assumed 9 months for this stage and we considered this challenging. We have reduced this to 6 months in part by streamlining our expected evaluation processes but mainly by assuming that the approvals bodies can conduct a process in parallel that lasts no longer than two months. This is currently the most significant risk to timeline in the plan. The need to do it is acknowledged but there is currently no plan as to how this may happen.

3.4 Post Preferred Bidder Stage

Following the appointment of Preferred Bidder there will be a final procurement stage leading to financial close.

Activities in this stage include:

- Bidder to apply for and receive full planning permission. This takes 16 weeks. In previous PFIs funders have also required the 3 month judicial review period to expire.
- Senior Debt Funding Competition
- Equity Funding Competition (senior debt providers need to be known before this can commence)
- Finalise design eg complete the remaining 1:50s
- Finalise documentation
- Preparation of a confirmatory business case which confirms the scheme is still viable and affordable given the actual funding rates which emerge from the funding competitions

We have allowed 7 months for this stage (previously 9 months). The critical path is currently the planning permission. If as expected the equity and senior debt competitions need to run sequentially and be completed 3 months prior to financial close this may become the critical path.

4. Summary

The procurement plan described reduces the previous estimate of 36 months to 23 months. The competitive stage at 16 months lies within the tolerance set by the PF2 guidance. The hospital based on a build period of 28 months and a commissioning period of 12 weeks will open in October 2018 provided that we place an OJEU in March 2014.

The programme is very challenging and considerably less than other similar projects have actually achieved. The lack of clarity on the approvals process is the biggest single risk to this timeline

There needs to be a detailed plan behind this high level strategy. The procurement will need to be well managed on a day by day basis to succeed.