DOCUMENT CONTROL SHEET

VERSION	DATE	COMMENTS
Version 0.1	28th June 2007	Shell document produced by DSAN
Version 0.2	4th July 2007	Updated by MCON following comments received from Jean Holderness
Version 0.3	10th July 2007	Updated following internal review
Version 0.4	24th July 2007	Updated to include references to OBC checklist
Version 0.5	6th August 2007	Updated to show responsibilities and date for 1st draft to be prepared for 1st internal review
Version 0.6	24th September 2007	Updated to show lead authors for each section, and re-ordering of headings
Version 0.7	26th November 2007	Updated to show amends agreed following internal review on 12th November 2007
Version 0.8	28th May 2008	Updated to reflect any changes agreed at the 13th December 2007 Project Team review including any changes to authors. Authors highlighted
Version 0.9 AKA Version 1.0	19th June 2008	Updated by MCON following timescale paper being produced post 12th June Project Team
Version 2.0	23rd July 2008	Updated by MCON with contributions to create 2nd draft for QA review on 11th Aug 2008
Version 2.1	3rd August 2008	Reviewed by MDAV/PELK
Version 2.2	4th August 2008	Updated by MCON with Workforce sections and issued to QA Team on 5th August for review on 11th August
Version 2.3	20th August 2008	Updated by MCON following QA on 11th August and issued to Trust
Version 2.4	18th September 2008	Updated by PELK to include financial & economic sections
Version 3.0	22nd September 2008	Updated by ABIG, MCON and DSAN with contributions from Project Team members following SHA review and outstanding sections
Submission V1.0	3rd November 2008	Updated by MCON, ABIG,PELK and MDAV with responses to V3.0 comments from SHA and internal QA comments
Submission V1.1	28th November 2008	Updated following Project Board meeting of 27th November 2008
Submission V1.2	10th November 2008	Updated by ABIG, PELK, DWHET & MCON following SHA comments on 5th December 2008
Submission V2.0	7th January 2009	Updated by MCON & ABIG to prepare for submission to SHA & DH
Update V2.1	27th July 2010	Update by ABIG and LJON for review by SHA/DH/HMT. First update version for Project Team review
Update V3.00	11th August 2010	OBC Update prepared by ABIG & LJON for review by SHA.
Update V3.1	9th September 2010	OBC Update prepared by ABIG and LJON following

VERSION	DATE	COMMENTS
		review by SHA
Update V4.0	17th September 2010	OBC Update moves to V4.0 prepared by ABIG and LJON to address Trust, PCT and SHA comments
Update V4.1	24th September	Updated by ABIG to include changes to commissioner support letters and TFF following request from Rob Bacon. This version issued to Trust Board and SHA for approval.
Update V4.2	5th November 2010	Updated by ABIG and MBHA in response to DH comments
Update V4.3	11th November 2010	Updated by ABIG for further DH comments
Update V4.4	5th April 2011	Updated by ABIG to reference economic appraisal to include valuation of benefits for HMT.
Update V4.4	25th October 2011	Updated by ABIG – small formatting changes.
Update V4.5		Chapters 11 &12 updated by A Graham (previously known as ABIG) for Board approval for issue to TDA

11 Procurement Case: for Private Finance 2 (PF2)

This section has been updated to:

- Reflect the changes made as a result of the Scope Review Process undertaken in 2010;
- To detail the changes made for PF2 in 2013 and the commercial implications of this procurement route; and
- Reflect changes made to the scheme in 2013 during the update for PF2.

11.1 *Scope of PF2 Contract*

The Trust has carefully considered the factors influencing the scope of facilities and services to be incorporated into the PF2 Contract. The main driver has been to deliver best value for money and this section of the OBC summarises the conclusions reached.

The scope has been reviewed twice since DH approval in August 2009:

- The Scope Review Process, completed in September 2010 for change to the RCRH activity model, resulted in change to the size of the scheme but did not significantly change the level of services included in the contract.
- The PF2 Review Process in 2013 ran in parallel with a second review of the scheme. The outcome of these activities led to additional changes to the configuration of the scheme and includes some minor changes to the level of services to be included in the contract.

11.1.1 Buildings

11.1.1.1 Buildings in the Scope of the New PF2 Contract

The main acute hospital construction will form the basis of the PF2 contract.

A separate research and education block to be included in the PFI contract was planned in the OBC approved by the DH in August 2009. Planning permission was granted for a landmark building.

However, the 2013 review process resulted in transfer of these activities to community facilities that will be developed on retained estate. Education facilities will now be included to support training that needs to be located close to clinical / operational services in the acute hospital building.

The Development Control Plan (DCP) shows space for a landmark building that could contain research, education and other facilities in the future.

11.1.1.2 Buildings outside the Scope of the New PF2 Contract

The Trust will be retaining a presence on all four of its current sites as outlined below:

- At the City Hospital site services will be provided within the current Birmingham Treatment Centre (BTC), the Birmingham and Midland Eye Centre (BMEC) and the Sheldon Block.

- At Sandwell General Hospital the Trust will retain ownership of a part of the estate, including the relatively new Emergency Services Centre.
- At the Rowley Regis community facility the Trust will retain ownership of the whole estate which will be used both by the Trust and others for the provision of Community Services for the local area.
- At Leasowes Intermediate Care Centre (transferred to the Trust through 'Transforming Community Services'), the Trust will continue to provide Intermediate Care for the local community.

The BTC was procured through a separate PFI Project. The project agreement was entered into on 19th December 2002, with practical completion on 20th July 2005. The contract duration is 30 years from practical completion. There are no perceived benefits from seeking to incorporate this within the new PF2 Project, and therefore the Trust will continue with the existing arrangements for the BTC.

Some parts of the retained estate require some refurbishment to accommodate the services planned and to bring them up to the required standards for NHS buildings. The Trust has developed a plan for how this refurbishment may be completed over time, utilising internally generating funding.

The Trust does not believe it will get any benefit from asking the private sector to include refurbishment and maintenance of the retained estate within a private finance deal and indeed will lose flexibility by doing so; therefore the Trust will exclude these from the scope of the PF2 contract.

11.1.2 Hard FM Services

The general approach to Hard FM is that these services will form part of the requirements on the Trust's PF2 partner, to maintain the fabric of the buildings and estate and ensure their lifecycle replacement for the duration of the PF2 Contract.

Detailed work has been undertaken relating to certain aspects of the Hard FM service to define the optimal approach. The conclusions following this work are as follows:

Table 130 Hard FM Services Scope

Service	Commentary	Conclusion
Routine & Ad Hoc Security Patrols / Response	The security service operates in close co-operation with the clinical functions of the Trust to deliver those elements of the service that directly relate to patient and visitor safety. Given the importance of direct control of this service, it is proposed to exclude this function from the requirements of the Trust's PF2 Partner. This service is also best delivered in combination with the management of car parking. Whilst it would be possible to include the car park management within the PF2 Contract, and thereby obtain a guaranteed level of car park income through the Contract, the Trust prefers to maintain control of both car parking and security because of the operational dependencies between them.	Exclude from PF2 Contract, and consequently also exclude the delivery of the Car Park Management service.
Operation of Switchboard / Helpdesk	The switchboard service acts as the first point of contact for members of the public to the Trust's	Exclude from PF2 Contract (apart from

Service	Commentary	Conclusion
	services. It also provides a range of other functions for the Trust related to the clinical operations (maintenance of telephone directory; on-call status / contacts; emergency response; etc.).	the physical switchboard equipment which will be included)
IT	The management of IT services and systems has a very different risk profile to the rest of the services considered in delivering a PF2 Project. The future requirements and systems of the Trust are extremely difficult to forecast for the duration of a PF2 Contract (around 30 years), and therefore extremely difficult to price on any realistic basis. Given this, the only aspect of IT services proposed to be included within the PF2 Contract is the network infrastructure within the facilities including the relevant connections to the external environment. The technical solution for the building will include one integrated network which will be managed by the Trust. The Trust will be required to host building management systems for the PF2 partner.	Include Network Infrastructure and IT hub rooms. Exclude all other IT requirements.

Based on this analysis, the overall approach to Hard FM is summarised below:

Table 131 Hard FM Services - Summary of Scope

Service	Incl. in PFI	Excl. from PFI
Building Maintenance (Planned, Reactive and Statutory)	✓	
Building Life-cycle	✓	
Grounds / Gardens	✓	
Pest Control	✓	
External Window Cleaning	✓	
Car Parking: • Physical infrastructure • Car Park Management	✓	✓
Security: • Physical security of buildings • Routine Patrols • Ad Hoc Patrols / Response	✓	✓ ✓
Switchboard / Helpdesk: • Physical switchboard • Operators		✓ ✓
Energy Management • Tracking and reporting energy consumption • Identifying energy saving opportunities	✓ ✓	
IT		

Service	Incl. in PFI	Excl. from PFI
• Infrastructure	✓	
• Computer rooms	✓	
• End-user Equipment and Systems		✓
• Utilities Management	✓	

11.1.3 Changes to the Contract for PF2

In the new PF2 Contract there are now two further categories of services:

11.1.3.1 Minor Maintenance Obligations

There is flexibility as to whether or not certain types of minor maintenance are included in the PF2 Contract, e.g. internal wall finishes, ceiling finishes, interior door and window repair, lighting consumables, graffiti removal and other minor maintenance. The Trust will be including these within the PF2 Contract.

11.1.3.2 Elective Services

The Trust can choose to add elective services to the PF2 Contract on an annual or one-off basis (this includes grounds and gardens; snow clearing and window cleaning). The Trust has adjusted the contract to ensure that such services could be included during the term and will reflect this in the procurement documentation to ensure that they are in scope.

The Trust would intend to elect to include window cleaning, snow and ice clearance and pest control as an elective service.

11.1.4 Soft FM Services

A detailed review of the alternatives available for inclusion / exclusion of Soft FM services has been undertaken. The conclusion of this work is that the best value solution would be to exclude Soft FM services from the scope of requirements. This is in line with PF2 which states that such services should be managed by the Trust or through other service providers on short term contracts. A copy of the analysis undertaken is included as ***Appendix 11a.*** Retention of Employment arrangements will not therefore be required.

Operational policies for Soft FM services in the new hospital have been developed to support the design process.

The Development Control Plan includes space for a crèche and staff gym. Project Co is not required to submit bids to provide these facilities or services.

The Trust would like to include pest control as an Elective Service (see above). PF2 classes it as a Soft Service which would therefore normally fall outside of the Contractor's obligations. However, the Trust believes that, in the context of this project, there are both practical and value for money reasons for seeking delivery by Project Co.

11.1.5 Equipment

The OBC approved by the DH in 2009 did not include medical equipping within the Project Agreement. Only fixtures and fittings normally associated with a building contract were to be included within the contract.

Imaging equipment will be provided by a separate Medical Equipment Service (MES) contract outside of the PF2 contract to ensure effective management of the capital programme across PF2 and retained estate facilities.

The Trust will retain responsibility for all other equipment, with any specific requirements on the PF2 partner being defined through an Equipment Responsibility Matrix (a summary document is presented at ***Appendix 9q***). Decisions on the best method of procurement for equipment (lease / buy / managed contract) will be made as part of the development of the Equipping Plan for the new hospital.

11.1.6 Sterile Services

The Trust has an agreement with an external provider to deliver sterile services as part of the local collaborative agreement in conjunction with other Trusts in the local area. This contract runs for a period of 15 years, with an option for a further 5 years, and there are no advantages in seeking to change this arrangement. Consequently, Sterile Services will be excluded from the scope of the PF2 Contract.

11.2 *Approach to Phasing*

The PSC solution is a single phase build. The Grove Lane site is constrained and the likely massing of the new build in the PSC would not support moving clinical services whilst construction is on-going. This leads the Trust to expect that bidder solutions will also be single phase; but we are open to multi-phase proposals which can be shown to be both clinically viable and better value for money.

The Trust requires beneficial access to the hospital prior to practical completion for some specific installation including Trust and MES provided fixed medical equipment and commissioning tasks related to major clinical equipment and installation of wireless network infrastructure.

Project Co will be required to complete all standard form commissioning activities prior to practical completion.

All other Trust commissioning activities will take place after practical completion including the commissioning of the integrated IT network. Support service personnel will move into the building directly after practical completion to undertake these activities.

The Trust's plan is to start moving the clinical activity from both current hospitals within the ten week period after practical completion / handover. This is likely to be accomplished by moving activity from Sandwell Hospital first and then from City Hospital a few weeks later.

11.3 *Approach to Interim Services / Early Transfer of Staff*

From Section 11.1 above, it can be seen that the scope of services being provided by Project Co will probably be limited to the Hard FM (Estates related services) The Trust will retain ownership and

management of some retained estate on its four current sites. It will therefore retain some of its current Hard FM staff to provide Estates Services to these sites.

The remainder will transfer to the Private Sector Provider. The Trust is aware that the provider will require a period prior to commencement of service to train the staff in its processes and methodology. The Trust proposes to transfer staff under TUPE legislation three months before the commissioning and opening of the new hospital to allow this training to take place.

The Trust does not therefore require any interim service provision.

11.4 *Shadow UP*

11.4.1 Shadow UP Assessment

In order to assess the likely value for money and affordability of the proposed PF2 scheme in the OBC, there is a requirement to estimate the likely cost of the Trust's Public Sector Comparator (PSC) if funded by a PF2 scheme. In order to assess this, the Trust's inputs are fed through a high level financial model which estimates a likely unitary payment. This is referred to as the shadow tariff.

It is important to stress that the PF2 provider may make significantly different assumptions when structuring their solution and as such the shadow tariff may be materially different from bids actually received. The bids received will, of course, be based on the PF2 provider's own assessment of cost (based on their design solution), timetable, financial structure and risk.

Currently, the financial market is volatile and the post-preferred bidder funding competition will not be held for another few years. The Trust will monitor the market and developments which take place over this time period to consider the impact on the deliverability and affordability of the project.

Consequently the shadow tariff is intended for use in assessing the likely value for money and affordability of the scheme for OBC purposes and should not be relied upon for any other purpose.

The shadow Unitary Charge contained within the affordability judgment represents an assessment of the likely liability at financial close, based on robust project costs (e.g. capital and lifecycle) developed from detailed service and design considerations coupled with funding terms currently seen in the financial markets on other PPP schemes and as agreed with the DH. As such the Trust would not expect the outcome to be materially different.

This section outlines the outcome of the Shadow UP Assessment.

The main assumptions, agreed by the Trust, are that:

- Capital expenditure (including contingencies and optimism bias but excluding VAT), lifecycle, hard FM for the PSC as estimated by the Trust's QS, based upon forecast out-turn prices;
- Insurance, bid and management costs and funding costs (including 50 bps buffer) as estimated by the Trust's financial advisor; and
- Concession length of 30 years from Practical Completion in accordance with Standard Form.

Table 132 below presents the shadow UP assessment completed for the OBC approved in August 2009 in the first column and the current position in the second column (2013/14).

Table 132 Shadow UP Assessment

Model Inputs	Value £000s	Value £000s
Price Base	**2008/09**	**2013/14**
Construction		
Capex (including contingency and optimism bias but excluding VAT, land and equipment)	393,899	285,277
SPV Bid Development	7,000	7,895
SPV Costs during construction	400	933
Insurance during construction	3,940	2,00
Operating Costs		
Lifecycle (23% of Capex) total	90,597	47,842 real 80,238 nominal
Hard FM (per annum)	2,555	2,392
Utilities	Pass through	---
Soft FM	Excluded	---
Insurance (per annum)	1,107	400
SPV Costs (per annum)	400	431
Funding Terms	Bank	Bond
Gearing	91%	78% bond 10% Mezzanine
Swap Rate	4.30%	3.31%
Buffer	0.50%	0.50%
Bank Margin (construction)	1.50%	2.1% bond / 5% mezz
Bank Margin (operations)	1.30%	2.1% bond / 5% mezz
Unitary Payment (first full year payment)	**34,400**	**26,123**
Internal Rate of Return (IRR) %	**14.50%**	**13.0**

The current position includes changes made in the 2010 and 2013 scope reviews, changes made to adjust for PF2 and funding terms based on the most recent NHS deal closed.

The 2008 shadow tariff model assumed a bank solution as the most likely source of funding at the time. Since then the private placement bond market has become interested in the scheme and the 2013 model is based on such a solution.

11.5 *VfM Assessment*

The Trust has considered alternative forms of funding and considered that PF2 is likely to provide the best value for money.

HMT and DH require that the Trust is able to prove that a PF2 procurement provides better value for money when compared to a conventional funding route. The preferred scheme PF2 value for money assessment must be satisfied as part of the approvals process.

Previous DH guidance specified that, in line with HMT requirements:

- The value for money test is largely brought forward to the OBC stage;
- Qualitative aspects of the PFI route are to be considered; and
- HMT standardised templates were used to perform the quantitative analysis.

It is understood that HMT will be issuing new guidance on VfM assessment for PF2 in December 2013. In the absence of official guidance we have assessed VfM from both a qualitative and quantitative point of view.

11.5.1 Qualitative Assessment

The qualitative assessment undertaken for the OBC approved in August 2009 assessed the viability, desirability and achievability of the PFI procurement route, compared to the alternatives. These aspects are described as:

- **Viability**: can the service elements be stated in clear output terms and can the effectiveness of the service delivery be measured and monitored? Can operational flexibility be maintained over the lifetime of the contract at an acceptable cost?
- **Desirability**: is PFI(2) likely to involve better risk management, significant risk transfer and better incentives for delivery on time and cost? Is PFI(2) likely to involve greater innovation?
- **Achievability**: is there evidence that the private sector is capable of delivering the required outcome? Is there likely to be sufficient market appetite for the project? Is there / will there be sufficient client-side capability to manage the procurement process and appraise on-going performance against agreed outputs?

Pending further guidance the qualitative assessment has been updated and adjusted for known PF2 factors. The revised document, completed in October 2013, is presented in ***Appendix 11b***.

The Trust is satisfied that, subject to new guidance, this demonstrates that a PF2 procurement can develop a viable contracting structure, provide overall benefit to patients, staff and commissioners, and that it is achievable given market appetite.

However, it is important to note that guidance on the qualitative assessment is outstanding and will also depend on the developing approach to the payment mechanism, level of risk transfer and successful approach to market development.

11.5.2 Quantitative Assessment

As outlined above new guidance and a model for the quantitative assessment is currently being developed by HMT. It is likely that the focus will be on risk adjusted cash flows but this will be clearer when the guidance is released in December 2013.

In anticipation of this approach the project team has been working through potential consequence, impact and probability against each of the risks previously identified by HMT to value the overall risks that arise from the project and which of those will transfer to the PF2 provider under PFI. The new model developed through this approach is attached at ***Appendix 11c*** [to be added].

The tables below identifies how much the PF2 option provides better value for money relative to a conventionally procurement route.

11.5.2.1 Model Methodology

[To be added]

Table 133 below shows a summary of the approach taken.

Table 133 Approach to VfM Assessment

Financial Input	Approach
Price base Capital costs Lifecycle Operating Costs Funding Terms Gearing Optimism Bias Risk Transfer Optimism Bias Post CBC	[This table to be updated / replaced]

11.5.2.2 Model outputs and Sensitivities

[To be added]

These are shown in Table 134 below:

Table 134 VFM Assessment Sensitivities

11.6 *PF2 Conformance*

The Trust confirms that the Project Agreement developed for the MMH is based on the DH PFU Standard Form Version 3 contract published in August 2003 and updated to take account of:

- Changes made by the PFU in August 2004 and February 2007 (SF3);
- Compliance with Standardisation of PFI Contracts Version 4 (SoPC4) (March 2007) and the subsequent addendum on refinancing; and
- HMT standardisation of PF2 Contracts (December 2012).

Schedule 18 (Payment Mechanism) will conform with the new PF2 standard payment mechanism.

A comparison has been undertaken between the MMH contract, already updated for SoPC4, and the new PF2 drafting. Amendments have been made to the contract to ensure that PF2 drafting is fully taken account of but the original ordering / numbering of the health standard form contract has been retained. This ensures compliance with PF2 without loss of a structure which is familiar to the health sector.

The Trust expects to commission comprehensive surveys of the site before commencing the procurement and these will be made available to and novated to bidders as is now required by PF2.

The Trust does not anticipate any early works acknowledging that this approach has been discouraged.

Any changes proposed by bidders to underlying contract drafting principles will have to be justified on a project specific basis as the Competitive Dialogue process progresses and ultimately before Conclusion of Dialogue.

Bidders will be made aware that any project specific derogations must be both capable of justification and be minimised.

In addition, the following Schedules adopt the SF3 versions published by the PFU for use on health PFI schemes adjusted where necessary to take account of the required PF2 drafting:

- Schedule 1 (Definitions and Interpretation);
- Schedule 2 (Completion Documents);
- Schedule 6 (Funders' Direct Agreement);
- Schedule 8, Part 2 (Construction Matters, Safety During Construction);
- Schedule 10 (Review Procedure);
- Schedule 11 (Collateral Agreements);
- Schedule 14 (Service Requirements) i.e. the Trust's Service Level Specifications;
- Schedule 15 (Independent Tester Contract);
- Schedule 17 (Market Testing Procedure);
- Schedule 20 (Deed of Safeguard);
- Schedule 21 (Insurance);

- Schedule 22 (Variation Procedure);
- Schedule 23 (Compensation on Termination);
- Schedule 24 (Hand back Procedure);
- Schedule 25 (Record Provisions);
- Schedule 26 (Dispute Resolution Procedure);
- Schedule 27 (Project Co Information);
- Schedule 28 (Certificates);
- Schedule 29 (Refinancing); and
- Schedule 34 (Insurance Proceeds Account Agreement).

The Trust proposes the use of the PFU's alternative wording for Clause 30 (TUPE and Employment Matters) proposed for use in schemes where RoE does not apply, but staff transfers are expected (i.e. hard facilities management only schemes) that is set out at Appendix 1 to SF3.

At present the Trust does not intend to deviate from the standard form Project Agreement as updated to take account of PF2. Clearly, as the project progresses through the procurement phase there may be circumstances where such deviation may be beneficial. These will be discussed with approval bodies at the appropriate time.

11.7 *Market Soundings*

The ability of the Trust to secure value for money through a PF2 procurement will be influenced by the ability to attract sufficient credible bidders to generate and maintain meaningful competition throughout the procurement process. Accordingly, the Project has been carefully marketed to attract potential bidders.

The Trust has been meeting with potential bidders over the last few years to assess market interest and develop good relationships. The Project Director and Commercial Manager have met with any interested parties that made contact. These organisations included bidders that have historically bid for the larger PFIs as well as investment companies who would lead the bid process or provide equity investment. These discussions have been helpful in the exchange of information and tend to show that market interest is being maintained.

11.8 *Pre-Market Engagement*

The move to PF2 as the procurement approach for the MMH requires the Trust to complete the competitive stage of the Competitive Dialogue process in less than 18 months which is considerably shorter than was previously anticipated. HMT guidelines on 'lean procurement' under PF2 propose the use of significant pre-market engagement prior to issue of the OJEU notice to ensure that bidders will enter the process well prepared. This process has been incorporated into the overall programme.

11.8.1 Objectives of the Pre-Market Engagement Plan

The objectives will be to:

- Present the prequalification process to ensure the bidders can prepare;
- Enable discussion about scope and commercial issues to ensure that the project is attractive to bidders;
- Enable discussion about public sector equity funding;
- Explain proposed design methodology, including tight, prescriptive timescales so that bidders can resource it; and
- Discuss proposed Bid Deliverables and evaluation criteria at each stage.

The aim is to assist bidders to be well prepared prior to the entering the process allowing the overall procurement programme to be reduced.

11.8.2 Pre-Market Engagement Process

It is proposed that a Project Initiation Notice (PIN) will be posted in the Official Journal of the European Union 3 – 4 weeks prior to the formal OJEU notice. The PIN will present a brief project description and give notice of engagement events / opportunities including the following:

- Half day introduction to the project supported by a brochure and questionnaire to seek comments;
- Opportunity to book a two hour meeting for the potential bidder project team and the MMH project team; and
- A final event to confirm timelines, scope, procurement methodology and information from HMT on proposed public sector equity stakes.

Careful planning will be required to ensure alignment with approval timescales so that the final meeting takes place after HMT approval and announcement of equity participation percentages.

11.9 *Post OJEU Open Day*

The Trust will host an open day following publication of the OJEU notice at which the Trust Board will provide a detailed description of the project, covering for example:

- The Case for Change;
- PSC functional content and design;
- Project specific issues; and
- Procurement process and timetable.

The Trust also plans to run a supply chain engagement event. All parties who have made contact with the Trust will be invited to attend as well as local companies that may be interested in bidding for work as part of the supply chain. This will provide an opportunity for the Trust to actively support development of networks between potential bid teams and local business. It will also provide opportunities to maintain general contact with bidders. The event will be organised by *'Find it Sandwell'* who have established effective publicity and have experience in running such events.

11.10 *Work for the Pre-Procurement Stage*

11.10.1 Adjustments for PF2

The procurement documentation is being updated for compliance with PF2. Some of the PF2 guidance is still being developed by HMT. The Trust has been working closely with PFU to develop the following for the scheme pending the publication of the final guidance:

- VfM guidance;
- New payment mechanism; and
- New output specifications for Hard FM services.

11.10.2 Review Process during 2013

The 2013 review process has been undertaken as a result of the following drivers:

- Changes for PF2;
- The appointment of a number of new Board members; and
- The changed context since the last SHA approval in October 2010.

Workshops were held with Trust Board members and the new Chief Executive Officer (Senior Responsible Owner) to review the MMH proposals after PF2 was announced. The questions generated provided the opportunity to review project assumptions and provide assurance that proposals had been subject to robust scrutiny.

A review of the PSC design was commissioned to re-engage with clinical teams that had also changed significantly since the last iteration. This work has progressed well using the 'Boot Camp' type approach proposed for the procurement.

This work will result in:

- An updated PSC design;
- Updating of a range of project documents for PF2 and other changes; and
- New / adjusted contract documents.

This work will be formally signed off prior to uploading to the procurement portal (hosted by E-Box) ready for OJEU.

11.10.3 Procurement Documents

The documents to be finalised and approved are:

11.10.3.1 For Pre-Qualification:

- Pre-Qualification Questionnaire;

- Memorandum of Information; and
- OJEU notice.

11.10.3.2 For Volume One of the ITPD:

- Project scope and overview; and
- Overview of the procurement process.

11.10.3.3 For Volume Two of the ITPD:

- Architectural design strategy including clinical and functional requirements and clinical and support service output specifications;
- Technical information regarding construction works and building and engineering services to be provided; and
- Approach to equipment installation.

11.10.3.4 For Volume Three of the ITPD:

- The Project Agreement and schedules including:
  - Construction requirements and service level specifications; and
  - A calibrated payment mechanism.

11.10.3.5 For Volume Four of the ITPD:

- Procurement process and timetable;
- Evaluation criteria and strategy; and
- Bid deliverables;

11.10.3.6 Additional documents to be kept in the data room:

- Equipment Strategy;
- IT strategy;
- Soft FM strategy;
- Arts strategy; and
- Whole hospital policies.

11.11 *Competitive Dialogue*

The legal basis under which the procurement is to be concluded is the EU procurement regime (set out in Directive 2004/18/EC (the Directive) pursuant to the Public Contracts Regulations 2006 (SI 2006/5) (as amended) using the Competitive Dialogue procedure.

PF2 guidance has been developed to support delivery of a ‘lean procurement process’.

11.11.1 Trust Capability and Approach

The Trust has experience of major procurement projects having concluded the Birmingham Ambulatory Care Centre PFI project in December 2002.

Project management and governance arrangements have been established for Phase Two, The Procurement Phase, of the Project as described in Section 12.

The following sections outline the Competitive Dialogue approach.

11.11.2 Preparation for Phase Two: The Procurement Phase

Section 11.10 of this document outlines the outstanding work for the Procurement Phase of the project. This work will be completed and approved prior to OJEU.

The Invitation to Participate in Dialogue (ITPD) has been written and will be further developed to reflect the Trust's position on project specific issues (for example, site, planning, contamination, employment matters, IM&T, medical equipment etc.).

The ITPD will set out the Trust's approach and its evaluation criteria to facilitate reducing the number of bidders at the various stages of the Competitive Dialogue process. The Trust will ensure that such criteria can be applied in full and not selectively.

The ITPD will include the following volumes:

- Volume 1: Project Scope;
- Volume 2: Design Specifications;
- Volume 3: Commercial Proposals; and
- Volume 4: Bidder deliverables and Evaluation.

The draft Project Agreement and schedules will be prepared to support Volume 3 of the ITPD. The Project Agreement (and standardised Schedules) will be based on the DH standard form suite of documents (version 3, as amended July 2004, February 2006, November 2006 and for PF2).

The OJEU Notice, Memorandum of Information (MoI) and Pre-Qualification Questionnaire (PQQ) will be prepared and approved by the Trust Board before issue.

The content of the ITPD (together with the form of Project Agreement and Standard Form Schedules, Service Level Specifications, Payment Mechanism and any other key documents) will be reviewed and signed off by the PFU prior to placement of the contract notice in the Official Journal of the European Union (OJEU).

11.11.3 Prequalification

A contract notice will be placed in the OJEU to invite expressions of interest from potential bidders. Those expressions will be streamed by a pre-qualification evaluation process.

The PQQ will be accompanied by an MoI. This will provide potential bidders with a comprehensive insight into the project including, but not limited to:

- Strategic context, purpose and structure;
- An outline of the project scope and levels of service;
- An outline of the procurement process; and
- Next steps for potential bidders.

The MoI will build on information presented at the pre-market engagement events, to enable bidders to make an informed decision about whether they wish to register their interest in the project.

The PQQ submissions will be carefully evaluated by the Trust in terms of economic, financial and technical capacity with the aim of creating a short list of three viable bidders.

The Trust Board will approve the shortlist of bidders and those short listed will be invited to participate in the Competitive Dialogue stage of the procurement process.

11.11.4 Competitive Dialogue Process

The ITPD will be formally submitted to the shortlist of successful bidders to open the Competitive Dialogue process.

11.11.4.1 Competitive Dialogue to Two Bidders

The Trust accepts that a reduction in the number of bidders to two is prudent because of the significant cost of seeking final bids from more than two bidders (both from the Trust's and bidders' perspectives). The Trust will therefore aim to reduce to two bidders as quickly and effectively as possible.

This stage will start with clarification of the process and agreement of a timetable for bidder meetings. The Core Team, with their advisors and users as required, will be available to meet with bidders to enable them to develop their commercial, financial and design solutions.

The Trust will request an interim submission from bidders on their design and commercial proposals. Bidders will respond to a series of pre-bid deliverables as outlined in Volume 4 of the ITPD.

The Trust will evaluate interim submissions using a weighted assessment process. A mid-term evaluation report will be prepared for Trust Board approval of the two bidders selected.

ITPD Volume 4 will detail each stage from issue of the ITPD to the selection of two bidders.

11.11.4.2 Two Bidders to Conclusion of Dialogue

A series of further stages will continue the dialogue process with two bidders to develop the deliverables required for final bids as outlined in the ITPD. This process will be accelerated to ensure that the 18 month programme specified by HMT can be achieved.

Bidders will continue to develop their scheme and to have meetings with the Trust Team and users. Consultation will be widened to involve departmental clinical leads and other stakeholders as required to achieve certainty around design solutions and price.

Bids will be submitted in draft form near the end of Competitive Dialogue. Bidders will be required to respond to the final bid deliverables set out in Volume 4 of the ITPD.

The Trust understands the importance of the call for final bids and closing of dialogue given the limits imposed by the Directive on the level of bid development after such election has been made (and, beyond that, the tighter limits imposed following the appointment of the Selected Bidder).

A draft Appointment Business Case (ABC) will be approved by DH and HMT prior to Closure of Dialogue to ensure that bid development is closed at this point.

Should the case arise that only one competitive bidder remains at the end of the dialogue phase, the Trust would consult with its advisers, H M Treasury (recognising the policy set out in: "*Strengthening Long Term Partnerships*") and the Department's PFU before proceeding with any such a decision.

11.11.5 Evaluation of Final Bids

The Trust will issue an Invitation to Submit Final Bids (ITFB) to those bidders remaining at the Conclusion of Dialogue.

There will be an opportunity to clarify and fine tune final bids provided this does not involve changes to the basic features of the bid. The Trust will undertake an evaluation process to identify the bidder that has offered the most economically advantageous tender.

Final DH approval of the ABC will be required, ensuring that thresholds remain within those agreed at Conclusion of Dialogue, prior to appointment of the Preferred Bidder. A Preferred Bidder letter will be issued to confirm the appointment.

11.11.6 Preferred Bidder to Financial Close

Clarifications will be made following appointment provided there are no substantial changes to the bid which would distort competition.

11.11.6.1 Planning Approval

Full planning approval will be completed during this stage, having undertaken full consultation during the previous stage. The expiry of the judicial review period will need to be complete prior to Financial Close.

11.11.6.2 Funding Competitions

One of the key initiatives that define PF2 is the opportunity for the government and third parties to participate in large infrastructure projects as equity investors. HMT have set up an organisation called Infrastructure UK which will invest in and manage the shareholding on behalf of other government departments such as the Department of Health.

The expectation is that, as part of the OBC approval process, HMT will express an interest in taking a percentage of whatever equity Project Co proposes as part of its funding structure.

Once the Preferred Bidder is appointed they will run a third party competition amongst interested parties identified as wishing to take equity stakes in projects like this e.g. Pension Funds. The return that the third party is willing to accept for their equity investment will define the rate that the Infrastructure UK will accept.

The Preferred Bidder will then run a debt funding competition with the selection of the preferred funder requiring approval by the Trust. The process will be managed by the Preferred Bidder's financial advisors with oversight by the Trust, its advisors, PFU and HMT. The funder's due diligence advisors will be selected jointly by the Trust and selected bidders early in the Competitive Dialogue process and will complete due diligence reports at key stages of the procurement. The advisors will be novated to the Preferred Bidder and then ultimately to the preferred funder following formal appointment.

11.11.6.3 Confirmatory Full Business Case Approval

A Confirmatory Full Business Case will be approved by DH, if within the thresholds agreed at ABC, to reach Financial Close.

12 Project Management, Procurement and Project Plan

12.1 *Project Management*

12.1.1 Overall Project Management Arrangements

The Trust places particular importance on effective project management arrangements across all its development activities, and has significant in-house experience.

A comprehensive Project Management approach was put in place by the Trust for this project prior to entering the OBC Phase of the project, and these arrangements and structures will continue with suitable refinement and expansion into the Procurement and Implementation Phases of the Project.

Details of the Project Structure are set out in the Project Execution Plan for the Procurement Phase of the project included as ***Appendix 12a.*** This document will be updated prior to OJEU to ensure that all participants are aware of their roles and responsibilities and understand the project approach.

12.1.2 The In-House Team

The Project Team is supported by a fully resourced Project Office, of appropriately experienced and qualified individuals. Details are set out within the Project Execution Plan in ***Appendix 12a.***

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 to ensure a robust audit trail is maintained.

12.1.2.1 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.

12.1.2.2 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.

12.1.2.3 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;
- Requests for information, issues and changes are managed appropriately;

- Project standards are maintained; and
- The project budget is managed effectively.

A full time Project Manager has been appointed for this project

12.1.3 Governance Arrangements

12.1.3.1 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.

12.1.3.2 Committee Structure

The project will be managed through two key Trust Sub-Committees to ensure that proper scrutiny / oversight is maintained during transition and to ensure effective alignment with planning across all the years of the project. This will avoid the risks of silo-working and ensure that new ways of working are developed well before MMH opening.

12.1.3.3 The Configuration Committee

The purpose of the Configuration Committee is to provide the Board with assurance concerning strategic direction, ensuring on-going alignment of the MMH and the programme of interim reconfigurations. The Committee will focus on the MMH Business Case.

The membership will include:

- The Committee Chair (a Non-Executive Director appointed by the Trust Chair);
- At least two other Non-Executive Directors;
- The Chief Executive Officer;
- The Medical Director;
- The Director of Finance and Performance Management;
- The Director of Strategy and Organisational Development; and
- The Chief Operating Officer.

A quorum will be three members, of which there must be at least one Non-Executive Director and one Executive Director.

The MMH Project Manager and Redesign Director for Right Care, Right Here will be in attendance.

The full terms of reference will be presented in the PEP. A brief summary of the MMH related duties of the Committee are presented below. The Committee will:

- Seek assurance on the development of the long term financial model (LTFM) and MMH business case to facilitate Trust Board sign off at each stage;
- Receive risk reports and ensure that robust mitigation is in place;
- Seek assurance that the Trust is actively engaging with Clinical Commissioning Groups, Trust Development Agency, Monitor and HMT throughout the MMH project to support timely approvals at each stage;
- Seek assurance on the adequacy of preparation for the Competitive Dialogue Process ensuring that best practice will be carried out in line with EU regulations;
- Seek assurance on the MMH and interim reconfiguration approval process;
- Seek assurance on the approval process for the MMH budget and monitor expenditure against plan;
- Seek assurance that relationships with key stakeholders are managed well to maintain positive support, including consultation where required;
- Maintain awareness of how broader political, economic and policy context may affect MMH and the interim reconfigurations to ensure continuing alignment; and
- Seek assurance that review of performance against the agreed activity model is in place and in line with the MMH clinical service model and trajectories underpinning the MMH business case.

12.1.3.4 Configuration Committee of the Clinical Leadership Executive (CLE)

The Configuration Committee of the Clinical Leadership Executive reports to the CLE.

Terms of reference are in development but it is assumed that this committee will manage decision making for the MMH and interim reconfigurations.

The membership of the Configuration Committee CLE will include:

- The Executive Directors;
- The Director of Estates and the New Hospital Project;
- The Deputy Director of Human Resources;
- Group Directors;
- Group Directors of Operations;
- Group Directors of Nursing; and
- The Trust Convenor.

12.1.3.5 Core Team

The Core 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 Project Manager, are responsible for carrying out the work detailed in the project plan.

The Core Team is responsible for:

- Planning and delivering the Competitive Dialogue and bid evaluation process and all other activities to financial close;
- Developing, maintaining and implementing project plans;
- Co-ordinating working groups and evaluation teams as required;
- Monitoring progress and reporting;
- Managing issues as they arise in line with the issue management policy and escalating those above threshold;
- Managing change control;
- Managing project advisors, ensuring that their contribution is well understood and that the Trust obtains best advice and value; and
- Managing risks in line with project risk management strategy.

The Core Team membership includes the:

- Director of Estates and New Hospital Project;
- Project Manager;
- Commercial Manager;
- Redesign Director for RCRH;
- Head of Estates;
- Deputy Director of Workforce;
- Deputy Director of Nursing; and
- Senior Project Accountant.

The Core Team will meet weekly, or as required, to co-ordinate the work required by the project.

12.1.3.6 Working Groups

The working groups shown in Table 135 below will be formed prior to Phase Two of the Project. Terms of Reference will be established with the groups at initiation. These groups will report to the Project Team through the Core team.

Table 135 Working Groups

Working Group	Responsible for:
Design Group	Functional design at 1:500, 1:200 and 1:50 User consultation
	Architectural design including massing, materials, quality of internal spaces, art and way finding AEDET review Town planning
	Engineering Sustainability

Working Group	Responsible for:
	Energy use
	IM&T Strategy IM&T design Converged network management
Facilities Management Group	Facilities management strategy Schedule 14 Soft FM management
Finance Group	Financial modelling Funding competition Business case development
Equipping and Commissioning Group	Equipment responsibility Equipping strategy Room data sheets
Commercial Group	Project Agreement and Schedules Project specific variations Commercial deal Payment Mechanism

12.1.3.7 Project Advisor Group

The project advisors are listed in Table 136 below.

Table 136 Project Advisors

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	IBI Nightingales
Town Planning	IBI Nightingales
Engineering	Hulley & Kirkwood
Traffic & Transport	Hulley & Kirkwood
Quantity Surveying	Cyril Sweett Limited (incorporating Nisbet)
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

Project advisors have been appointed on a terms of reference which includes all work required from pre-OJEU to Financial Close. The tender documentation outlines the work programme and deliverables anticipated. The Core Team and work streams will co-ordinate delivery of work or advice as required.

The project advisors will meet with the Core Team as required to:

- Plan and co-ordinate work across working groups;
- Maintain communication;
- Report on progress and issues; and
- Provide advice as required.

Membership will include the Core Team and a lead from the Technical Team, Legal Team and Finance Team. Other advisors will be invited as required.

12.1.3.8 Land Acquisition

A Land Acquisition Group was formed during Phase One of the project to acquire the land required to build the MMH. The Trust now owns the land and vacant possession is anticipated by November 2013.

This group will continue to meet until the tribunals and claims process is complete.

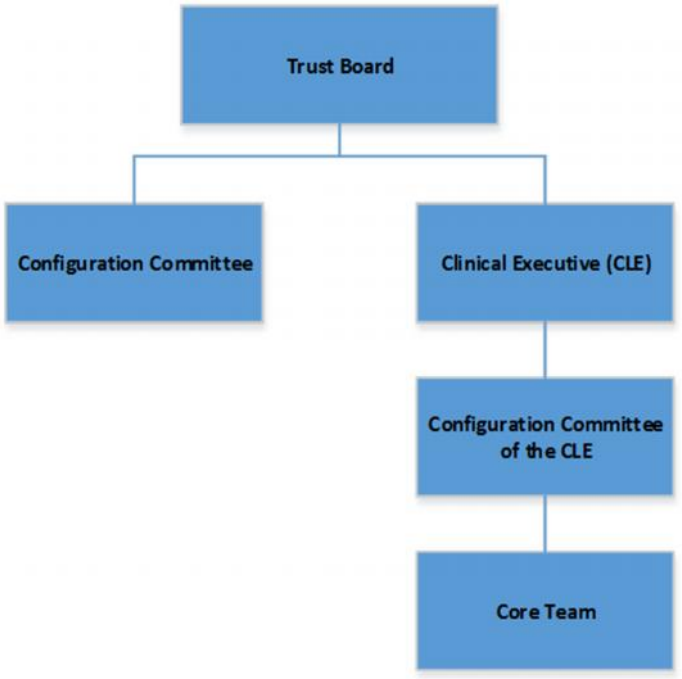
Membership of the group includes the:

- Director of Estates and the New Hospital Project;
- Director of Finance;
- Head of Estates;
- Commercial Manager; and
- Legal, land and other advisors as required

12.1.3.9 The Project Structure

The project structure is shown below:

Figure 41 Project Structure



The Core Team will coordinate the Design Groups and other working groups as required by the Competitive Dialogue Process.

12.1.4 Project Budget

The Trust has established a specific budget for the remaining stages of the Project as set out below:

Table 137 Project Budget

MMH /Community Facilities	13/14	14/15	15/16	16/17	17/18	18/19	19/20
	£	£	£	£	£	£	£
Pay							
Project Office	368875	368875	368875	316875	317000	317000	317000
Human Resources	76000	106000	106000	166000	166000	106000	106000
Finance	180000	180000	180000	130000	130000	130000	130000
Redesign	205000	315000	270000	170000	170000	350000	440000
Estates	271000	366000	366000	306000	441000	506000	400000
Total Pay	**1100875**	**1335875**	**1290875**	**1088875**	**1224000**	**1409000**	**1393000**
MMH Project Office Non Pay							
Engagement and Comms	20000	30000	20000	10000	10000	30000	30000
Boot Camp expenses	50000	50000	50000				
Market Engagement	30000						
Misc (stationery,printing,travel etc)	40000	40000	40000	40000	40000	40000	40000
Sub-Total Project Office NonPay	**140000**	**120000**	**110000**	**50000**	**50000**	**70000**	**70000**
Advisor Costs							
OBC							
Development of workforce model	20000						
Development of activity model	30000						
External Assurance	50000						
Update Outline Planning Permission	50000						
Business Case Production	15000	15000	15000				
PSC refresh	750000						
Sub-Total - OBC advisor costs	**915000**	**15000**	**15000**	**0**	**0**	**0**	**0**
PFI PROCUREMENT							
Insurance Advisor		3000	900				
Estates & Technical Against Tender	131000	300000	188000	104000	39000	39000	
Estates & Technical Out of Scope							
Legal Advice Against Tender	20000	100850	80000				
Legal Advice Outside Scope	96100	100850	80000				
Corporate Finance Advice Against Tender	20000	109850	60000				
Corporate Finance Advice Outside Scope	94700	109850	60000				
Business, Finance, Activity & Project Management	500		4800				
IT Advisor	20000	20000	20000				
Regeneration Advisor	5000	5000	5000				
Warranty of Title -legal costs			50000				
Independent Tester				50000	100000	150000	
Due Diligence Advisors							
Bidder Costs							
Advisor Contingency	97925	200000	160925	150000	150000	150000	150000
Sub-Total - PFI Procurement advisor costs	**485,225**	**949,400**	**709,625**	**304,000**	**289,000**	**339,000**	**150,000**
Total Advisor Costs	**1,400,225**	**964,400**	**724,625**	**304,000**	**289,000**	**339,000**	**150,000**
Total Non Pay	**1,540,225**	**1,084,400**	**834,625**	**354,000**	**339,000**	**409,000**	**220,000**
Total Pay and Non Pay	**2,641,100**	**2,420,275**	**2,125,500**	**1,442,875**	**1,563,000**	**1,818,000**	**1,613,000**

The budget will be managed by the Project Director, with clear delegated powers within the overall budgetary arrangements of the Trust.

Regular (bi-monthly) reports on progress against budget are made to the Configuration Committee of the CLE, and any corrective action required is agreed through that mechanism.

12.2 *Project Assurance*

12.2.1 Integrated Assurance and Approvals Plan

The MMH has been identified as a 'Major Project' by the Major Projects Authority (MPA) within the Cabinet Office. It is mandatory for all Major Projects to have an Integrated Assurance and Approvals Plan (IAAP). Integrated assurance and approval is the planning, coordination and provision of assurance activities and DH / HMT approval points through the life of the project. The IAAP is presented in ***Appendix 12b***. The MPA undertakes quarterly monitoring of the project.

12.2.2 Gateway Review

12.2.2.1 Right Care, Right Here Programme Gateway Review

The Right Care, Right Here Programme has undertaken regular Gateways Reviews and a Strategic Health Authority Review to oversee the programme.

12.2.2.2 MMH Project Gateway Review

The MMH Gateway Review process was initiated with a Risk Potential Assessment (RPA) in 2008 which indicated a score of 51. This put the project within the high risk threshold. A copy of the RPA is attached at ***Appendix 12c***.

A Gate One Review was undertaken for this project in November 2008 and was rated at Green.

A Gate Two was undertaken in December 2010 to determine whether the team was ready for the Procurement Phase of the project. The Delivery Confidence for this review was Amber Green. An action plan was prepared (***Appendix12d***) and reviewed to ensure delivery. All actions have been completed.

A second Gate Two will be planned prior to OJEU to review readiness in the light of PF2 and overall change in context.

A Gateway 3a review will be completed prior to submission of the ABC and a Gateway 3b review will be completed before submission of CBC. These reviews will investigate the Business Case, governance arrangements for the investment decision and implementation plans leading to financial close.

12.2.2.3 Internal Audit

Since the OBC was approved in August 2009 internal audit have reviewed the management of project advisors on the project. The outcome of this is that a policy for management of the advisors was developed.

12.2.3 Trust Board Assurance

New members were appointed to the Trust Board during 2013, including a new Chief Executive Officer. The Board therefore undertook a review of project assumptions during the period of update for PF2.

This enabled robust project validation to be undertaken including a clinical review of the PSC design in a series of 'boot camp' workshops using the methodology planned for the streamlined Competitive Dialogue process. This process has provided assurance for the Board to support the approval process.

12.3 *Procurement*

The procurement of this project will be undertaken through the new PF2 framework, using a Competitive Dialogue process.

Details of the scope of the procurement and the processes envisaged are included in Section 11.

12.4 *Project Plan*

A project plan for the Procurement Phase has been agreed, and is appended to the Project Execution Plan.

The key milestones for the project are set out in Table 138 below:

Table 138 Key Milestones

Milestone	Date
Outline Planning Consent granted	October 2008
SHA Approval of OBC (to enable land acquisition)	January 2009
DH Approval of OBC (to enable land acquisition)	August 2009
Route to land title through CPO confirmed	December 2010
SHA approval of OBC Update prior to procurement	October 2010
Land owned by the Trust	September 2012
Refreshed Outline Planning Consent	June 2013
Vacant possession of the Land	November 2013
Issue PIN	January 2014
Introductory meetings	February 2014
TDA, DH and HMT approval of OBC Update and procurement documentation	April 2014
OJEU Notice	April 2014
Pre-qualification and Invitation to Participate in Dialogue	TBA
TDA / Monitor, DH and HMT approve Conclusion of Competitive Dialogue and draft Appointment Business Case (ABC)	TBA
Selection of Preferred Bidder and final approval of ABC	TBA
CBC approval and Financial Close	TBA
Commencement of full operations	October 2018

The key milestones are consistent with the overall timetable for the overall *Right Care, Right Here Programme.* A more detailed project plan for the procurement phase will be developed once approval for the OBC has been secured.

12.5 *Risks*

A risk register was established at the beginning of the project. The register records:

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

Risk workshops involving all members of the Project Team have been undertaken regularly throughout the project. As a result all of the risks have been actively managed at each stage. The risk register for the procurement stage will be reviewed and updated prior OJEU.

12.6 *Stakeholder Engagement and Communications*

12.6.1 Engagement Activities During the OBC Phase:

A wide range of engagement activities have taken place during the on-going development of the OBC.

Staff, the community, land owners, MPs and Counsellors were involved in the preparation for Outline Planning Permission. The consultation was reported in a Statement of Community Involvement and submitted as part of the outline planning application.

Since then the public and staff have been involved in discussions about many subjects supporting development of the Design Brief including:

- The design of the atrium and waiting areas;
- Approach to art in Hospital;
- Presentation of civic pride;
- Approaches to way finding;
- Approach to welcoming design;
- The overall Design Brief; and
- Ward Configuration and preference for single rooms versus 4 bedded bays.

The perspectives gained from this engagement have been incorporated into Volume 2 of the ITPD and the Design Brief.

Other things discussed with staff and the public have included:

- The Acute Hospital Brochure;
- How we can maintain effective communication;
- Transport and Access; and

- The hospital name.

12.6.2 Collaborative Work during the OBC Stage

A collaborative relationship has been developed with Sandwell Borough Council and Birmingham City Council to support engagement with local businesses. This has been facilitated by a series of engagement events and the launch of the 'Find it in Sandwell / Birmingham' websites.

12.6.1 Communications Channels

Regular communications are maintained with staff and the public.

The channels used for internal communications are:

- CEO E-Mail;
- Corporate Team Brief;
- 'Hot Topics' (the monthly team discussion forum);
- Focus groups and events;
- 'Heartbeat' (the Trust Magazine);
- Staff Communications (daily staff briefing);
- The intranet; and
- The Right Care, Right Here Newsletter.

Public facing media / channels used for communications are:

- The Right Care, Right Here Newsletter;
- The Acute Hospital Brochure;
- The website;
- Press releases;
- Public meetings / focus groups;
- Trust Members newsletter;
- 'GP Focus' (GP magazine);
- A DVD which explains the *RCRH Programme* to the public
- Twitter and Facebook; and
- Stakeholder update.

12.6.2 Engagement Activities Planned for the Procurement Phase:

12.6.2.1 Stakeholder Engagement Objectives

The objectives of stakeholder engagement are to:

- Provide opportunities for staff, patient and public involvement in the design process;
- Engender a sense of public ownership;
- Ensure representation from a wide cross-section of the workforce and community;
- Ensure staff and the public are kept informed about progress with the new hospital; and
- Monitor, review and evaluate the effectiveness of communications and engagement activity.

12.6.2.2 Plans for On-going Stakeholder Engagement

The key plans for on-going stakeholder engagement are:

- Staff involvement in the 'Boot Camps' before OJEU and during Competitive Dialogue;
- Involvement of stakeholders, community, patient and public representatives in workshops and focus groups to comment on the design development for the new hospital;
- Comprehensive use of internal communications mechanisms to keep staff informed;
- Work with the *Right Care, Right Here* Communications and Engagement Group and contribution to the *Right Care, Right Here* website, newsletter and other communications and engagement activities;
- Regular briefing of MPs and Councillors;
- Use of community networks;
- Press and local media opportunities, adverts, newsletters etc.; and
- Developing links with wider clinical workforce, including primary care, mental health and GPs.

12.6.3 Overview and Scrutiny Committees

Regular presentations have been made to both Overview and Scrutiny Committees (OSCs). The approach to this has been a joint presentation led by the *Right Care, Right Here Programme* in which regular updates on the progress of the acute hospital development are also presented. Feedback from the OSCs has been positive and the Trust and other partners have been keen to respond to questions / requests for information.

16 Appendices

The appendices are presented separately. A list of the appendices is shown in Table 140 below showing the status of each appendix as compared with version 4.4 of the OBC.

Table 140 - Appendices

Reference No.	Document	Appendix Status (Change from V4.4)
Appendix 2a	SHA Approval Letter	Unchanged
Appendix 2b	DH Approval Letter	Unchanged
Appendix 3a	RCRH Programme Framework	Unchanged
Appendix 3b	RCRH Principles	Unchanged
Appendix 3c	RCRH Consultation Documents	Unchanged
Appendix 4a	Estates Strategy	Unchanged
Appendix 4b	10 Year Capital Programme	Unchanged
Appendix 5a	Activity & Capacity Model Output	Unchanged
Appendix 5b	Activity/ Performance/ Capacity	Unchanged
Appendix 5c	Sensitivity Analysis	Unchanged
Appendix 5d	Service Reconfiguration Standards	Unchanged
Appendix 5e	Workforce strategy	Unchanged
Appendix 8a	Non-Financial Appraisal	Unchanged
Appendix 8b	Capital Costs of Options	Unchanged
Appendix 8c	Forecast Revenue Costs of Options	Unchanged
Appendix 8d	Economic Analysis	Unchanged
Appendix 8e	Financial Risk Analysis	Unchanged
Appendix 8f	Sensitivity Analysis	Unchanged
Appendix 8g	Update to Economic Appraisal	Unchanged
Appendix 9a	Medical Director's Support Letter	Unchanged
Appendix 9b	Clinical Service Model	Unchanged
Appendix 9c	Regeneration Action Plan	Unchanged
Appendix 9d	Revenue Cost Projections (August 2009)	Unchanged
Appendix 9e	Projected Revenue Costs (August 2009)	Unchanged
Appendix 9f	Updated OB Forms for Grove Lane	Unchanged
Appendix 9g	Capital Charge Forecasts	Unchanged
Appendix 9h	Revenue Cost Projections By Function	Unchanged
Appendix 9i	Affordability: PSC SOCI	Unchanged

Appendix 9j	Income Summary Projections	Unchanged
Appendix 9k	Detailed Income Projections for SWBH	Unchanged
Appendix 9l	PSC Monitor Ratios	Unchanged
Appendix 9m	12.5% Test	Unchanged
Appendix 9n	PFI On/Off Balance Sheet Comparison	Unchanged
Appendix 9o	Affordability: PFI SOCI	Unchanged
Appendix 9p	PFI Monitor Ratios	Unchanged
Appendix 9q	ICT Vision	Unchanged
Appendix 9r	Equipment Responsibility Matrix	Unchanged
Appendix 9s	Single Equality Scheme	Unchanged
Appendix 9t	Equality Impact Assessment	Unchanged
Appendix 10a	RCRH HR Framework	Unchanged
Appendix 11a	Soft FM Services Review	Unchanged
Appendix 11b	VfM Qualitative Assessment	Updated
Appendix 11c	HMT Value for Money Model	Space held for model
Appendix 12a	Project Execution Plan	Unchanged
Appendix 12b	Integrated Assurance and Approvals Plan (IAAP)	New
Appendix 12c	OGC Risk Potential Assessment	Unchanged
Appendix 12d	Gateway Review 1 Action Plan	Updated
Appendix 13a	Commissioner Support Sandwell PCT	Unchanged
Appendix 13b	Commissioner Support HOB PCT	Unchanged
Appendix 14a	Post Project Evaluation	Unchanged
Appendix 14b	Benefits Realisation Plan	Unchanged
Appendix 16a	Glossary of Terms	Unchanged

Highlighted appendices have been aligned for Version 4.5

Appendix 12b

Sandwell and West Birmingham Hospitals NHS Trust - The Midland Metropolitan Hospital Project

Assurance / Approval	Approval Body / Assurance Lead	Date of Last Review	Status	13/14 Q1	13/14 Q2	13/14 Q3	13/14 Q4	14/15 Q1	14/15 Q2	14/15 Q3	14/15 Q4	15/16 Q1	15/16 Q2	15/16 Q3	15/16 Q4	16/17 Q1	16/17 Q2	16/17 Q3	16/17 Q4	17/18 Q1	17/18 Q2	17/18 Q3	17/18 Q4	18/19 Q1	18/19 Q2	18/19 Q3	18/19 Q4
Approvals																											
SOC	TB/SHA/DH	Jul-04	Approved																								
OBC to initiate land acuisition	TB/SHA/DH	Aug-09	Approved																								
OBC Update to initiate procurement	TB/SHA/Monitor/DH/HMT	Ongoing				Feb-14																					
Conclusion of Dialogue	TB/SHA/Monitor/DH/HMT										Mar-15																
ABC	TB/SHA/Monitor/DH/HMT											Jun-15															
CFBC	TB/SHA/Monitor/DH/HMT														Jan-16												
Independent Assurance																											
RCRH Programme SHA Review	NHS West Midlands	Jun-08	Complete, one off review																								
RCRH Programme Gate 0	Senior Responsible Owner	Nov-05	Amber																								
RCRH Programme Gate 0	Senior Responsible Owner	Nov-10	Amber																								
Risk Potential Assessment	Senior Responsible Owner	Aug-08	Complete, score of 51 (High Risk)																								
DH Gateway: Gate 1	Senior Responsible Owner	Nov-08	Green																								
DH Gateway: Gate 2	Senior Responsible Owner	Dec-10	Amber / Green																								
DH Gateway: Gate 3a	Senior Responsible Owner											May-15															
DH Gateway: Gate 3b	Senior Responsible Owner													Sep-15													
DH Gateway: Gate 4	Senior Responsible Owner																										
DH Gateway: Gate 5	Senior Responsible Owner																										Mar-19
GMPP quarterly Reports	MPA		February 2013 report issued	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Internal Functional Assurance																											
Scope and activity review proces	Project Board / Trust Board	Apr-10	Complete for OBC V4.1																								
Equality Impact Assessment	Project Board	Jul-09	Action plan approved																								
Equality Impact Assessment	Project Board	Jun-11	Action plan review approved																								
Post HMT PFI report review	Project Board / Trust Board		Currently updating affordability for outcome of review and passage of time.				Jan-14																				
Audit																											
Internal Audit	Audit Committee	Mar-09	Audit of approach to management of Advisors. Action plan delivered. Future audits to be identified by Audit Committee										Sep-15				Sep-16				Sep-17				Sep-18		

Sandwell and West Birmingham Hospitals NHS
NHS Trust

right care right here

Subject	**Gateway Review**
Report to	**Project Board**
Report from	**Andrea Bigmore**
Date	**27/11/2011**

1. Purpose of the Report

This report presents the findings and recommendations of the Acute Hospital Development Project Gateway 2 Review. An action plan is presented in response to the report for approval by Project Team / Board.

2. Background to the Gateway Review Process

The Office of Government Commerce (OGC) Gateway process examines programmes and projects at critical stages in their life-cycle to provide assurance that they can progress successfully to the next stage. The Acute Hospital Development is categorised as a high risk project when assessed by the OGC risk potential assessment. Gateway Review is therefore mandatory.

Each Review is carried out at a key decision point by a team of experienced people independent of the project team. The approach is similar to peer review with advice provided directly to the project Senior Responsible Owner (SRO) at the end of the review. Findings are outlined in a report with areas of good practice and recommendations presented for the SRO to consider.

The Gateway Review process looks at the readiness of a project to progress to the next phase at five key stages (or Gates) in the life of the project:

- Gate 1 - Business justification
- Gate 2 - Procurement strategy

- Gate 3 - Investment decision
- Gate 4 - Readiness for service
- Gate 5 - Benefits evaluation

This report was undertaken at Gate 2.

3. Findings of the Review

In summary, the findings of the review are:

The Delivery Confidence Assessment status was recorded as Amber Green

The reviewers were impressed with the consistent message about the need for the new hospital, its key role in the wider 'Right Care, Right Here' programme and the commitment and capability that the Trust and Project Team have demonstrated to date.

They found a number of instances of good practice including the willingness of the Project Team to learn from other similar PFI schemes, the use of a good benefits realisation template and the level of stakeholder engagement, particularly the consultation with GPs.

The team have made four recommendations with advice for us to take action as required. The action plan in section 4 lists the recommendations and identifies action to be taken.

4. Action Plan: Main Recommendations

The table below presents the main recommendations made by the Gateway Team with the proposed action plan presented for consideration.

Ref	Main Recommendation	Action	Lead	Date for Review
M1	The Project Team should comprehensively refresh the risk management process and prepare quantified risk allowances to inform the Project budget and PFI financial analysis.	Prepare a revised risk management process for the Procurement Phase Project Execution Plan (PEP). This will include: • A new process description approved by Project Team • A new Risk Log	A Bigmore	Apr 2011
M2	Prepare a comprehensive resourced plan to map out all	Map out the evaluation process, timetabling and	Workstream	Feb 2011

	activity associated with the OJEU process and the associated dialogue and evaluation workstreams.	membership to identify the personnel involved in the CD and evaluation process.	Leads	
M3	The SRO should develop and agree a negotiation strategy for lead Trust negotiator(s).	Arrange negotiation training which will develop the approach to be used by workstream leads. Complete the Procurement Strategy (ITPD Volume 4) which will include sections on decision making, escalation of issues and change management.	A Bigmore G Seager and A Bigmore	Apr 2011
M4	The SRO should refresh the governance structure for the Project so that the Project Board remains focussed on successful delivery of the Project whilst at the same time continuing to fully embrace key stakeholders. Clinical input into the Project must be fully embedded into Project Team activity.	Project Director and SRO to discuss the governance structure for the next stage of the project to take this recommendation into account. Any resultant changes will be updated in the Project Execution Plan. Review the frequency of the Clinical Executive Team (CET) during the competitive dialogue process to ensure that the group is able to respond to clinical issues arising from the CD process in a timely way. Formalise consistent clinical involvement in Core Team during the CD process to ensure that CET and Core Team are aligned.	G Seager A Bigmore J Dunn	Feb 2011 Apr 2011 Apr 2011

5. Action Plan: Additional Recommendations

Additional comments and recommendations were made in the narrative of the report; these have been developed into the following action plan.

Ref	Additional Recommendation	Action	Lead	Date for Review
A1	Treasury is about to introduce a new “test” for capital investment projects associated with the achievement of measurable benefits. The Project Team will need to be able to respond to any such new tests demanded by the Treasury.	Prepare for rapid response to HMT Tests on net present value analysis including valuation of economic benefits. Consider use of Deloitte to complete any technical work required.	G Seager	Feb 2011
A2	We would encourage the Project Team to continue to	See response to A1 above. Develop measures as		

	develop the work on benefits and it will be useful to clearly identify those benefits that are specific to the Trust PFI investment and those that are influenced by and contribute to the wider Right Care Right Here programme.	required by the new tests Follow up RCRH workshop regarding the Benefits Realisation workshop undertaken in the Autumn.	A Bigmore	ASAP
A3	The Project Team has plans to provide training in negotiating skills to personnel engaged in the competitive dialogue process. We fully endorse this proposal and would encourage this to be fully extended to include all clinicians engaged in the process.	See Action M3. Arrange preparation workshops for all involved in the competitive dialogue process.	J Dunn	At OJEU
A4	We suggest that the programme for completion of this work is afforded sufficient time to ensure that a comprehensive and "quality controlled" output is generated. Use of external procurement advice may be able to provide additional assurance and the DH PFU would also normally be happy to contribute.	Utilise the period required for completing the new tests on benefits to refine the procurement documents. Trust advisors and Core Team will QA documents and work closely with PFU to ensure they are fit for purpose.	Workstream Leads Workstream Leads	Feb 2011 Feb 2011
A5	The Project Board is encouraged to continue to monitor the transitional funding situation, particularly given the proposed changes to commissioning arrangements and the increasing role of the GP community.	The level of transitional funding will be reviewed and revised annually as part of the LDP process. Continue discussion with PCTs / GPs to ensure ongoing endorsement. Feedback any issues to Project Board if they arise.	R Knight	Ongoing
A6	We note that the Trust has an emerging estate strategy and this should continue to be actively promoted to fully understand the impact of the PFI investment on the estate and the residual liabilities on the retained estate and the associated backlog maintenance.	Complete feasibility studies on retained estate. Project Board to review and approve the draft PEP to initiate project management processes for retained estate.	R Kinnersley G Seager	In line with project plan Jan 2011
A7	The SRO should not lose sight of techniques and tools that maintain corporate knowledge and continuity.	Continue to undertake lessons learned review at the end of each stage of the project. These reviews should review achievement of objectives at each stage and ensure that approach, knowledge and intentions are captured to support continuity through the project.	A Bigmore	At each Project Stage

6. Recommendations

- That the report is noted
- That the action plan is discussed prior to approval.