



Full Business Case addendum for the Acute Mental Health and North Ayrshire Community Hospital

18 July 2014



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Contact Details / Approval by NHS Ayrshire & Arran

Document Control

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Document Name	NHS Ayrshire & Arran Acute Mental Health and North Ayrshire Community Hospital Full Business Case Addendum
Approval by NHS Ayrshire & Arran	NHS Ayrshire & Arran confirms that the project is integral to the Local Delivery Plan, the Financial Plan and the objectives of the NHS Board. Signed <i>Derek Lindsay</i> Derek Lindsay Executive Director of Finance
FBC Addendum Date	<i>18 July 2014</i>

Document history			
Version	Date	Issued to	Comments
V1	<i>18.07.14</i>	Scottish Government	

1.0 Introduction

- 1.1.1 The Full Business Case (FBC) for the Acute Mental Health and North Ayrshire Community Hospital was recommended for approval by the Scottish Government Health and Social Care Directorate's Capital Investment Group (CIG) on the 22 April 2014 and subsequently approved in a letter dated 21 May 2014 from Paul Gray, Director General Health and Social Care and Chief Executive of NHS Scotland.

Following approval, negotiations continued between NHS Ayrshire and Arran and Balfour Beatty Healthcare (Irvine) Limited, resulting in financial close on 19 June 2014. This highlights the projects continued strong management allowing it to run to close to the deadlines set at the ITPD stage.

Task	ITPD Date	Actual Date
Issue Invitation To Participate In Dialogue	05 April 2013	05 April 2013
Initial Briefing Meetings	16 – 18 April 2013	16 – 18 April 2013
First Dialogue Meetings	30 Apr – 2 May 2013	30 Apr – 2 May 2013
Draft Final Tender submission	10 Oct 2013	10 Oct 2013
Close dialogue	11 November 2013	20 November 2013
Final Tender submission	16 December 2013	16 December 2013
Preferred Bidder Appointment	28 February 2014	19 February 2014
Pre Financial Close Final SFT Key Stage Review Approval	June 2014	14 June 2014
Commercial and Financial Close	13 June 2014	19 June 2014

Planning permission for the project was obtained from North Ayrshire Council on 28 May 2014, a copy of the letter has been included at appendix 1.

The Scottish Government Health and Social Care Directorate's letter of authorisation on Externally Financed Development Agreements (EFDA), enabling the NHS Board to proceed to Financial Close was received on 9 June 2014.

The purpose of this addendum to the FBC is to set out the changes to the project between FBC approval and financial close.

1.1.2 In the period from approval of the Full Business Case there have been no significant amendments to the following Business Case areas:

- The Strategic Case
- The Economic Case
- The Management Case

The rationale and arguments presented in the Full Business Case in respect of the sections listed above remain valid.

The Financial Case has been updated to reflect the position as at Financial Close.

1.1.3 The Full Business Case Addendum was approved on behalf of NHS Ayrshire & Arran on 18 July 2014.

The Commercial Case

2.0 Commercial Case

2.1.1 Following appointment of Preferred Bidder the Authority has worked alongside the Preferred Bidder to finalise the detail of the design solution, including those works required to satisfy the Planning Application Conditions. This work has entailed a value engineering exercise where any additional cost items have been offset with a corresponding saving from elsewhere in the design. In undertaking this exercise, the Authority also looked to achieve improved clinical functionality, based on the design solution offered by the Preferred Bidder. The lifecycle and FM maintenance implication of these value engineering items was also taken into consideration.

2.1.2 The overall outcome of this value engineering exercise was a net decrease in the capital cost from £46,660,440 to £46,604,705, a decrease of £55,735. This decrease reflects additional costs of £64,265 offset by the removal of £120,000 for the Adjudication Bond allowed for in the model at final tender but not required by the bank selected through the funding competition. The total revised capital costs of £46.605m, remained within the Scottish Government Funding Cap of £46.661m. The movements in the costs are set out in the table below.

	£000
Capital Costs at final tender	46,661
Additional Costs	64
Less: Performance Bond Savings	<u>(120)</u>
Revised Capital Cost	<u>46,605</u>

2.1.3 The Authority and Preferred Bidder agreed to achieve a cost neutral position with regards to Lifecycle and FM maintenance.

2.1.4 The detail of the value engineering exercise in the form of an Adds and Omits list is contained as appendix 2. This itemises each saving or addition, with the corresponding impact on capital costs. The top three omissions were;

- £66,596 due to changes in window configuration,
- £71,667 due to rationalising and reducing socket outlet provision
- £18,450 due to rationalising future proofing of hoist provision

The top three additions were:

- £84,400 for additional planning requirements
- £38,500 to accommodate bus routing within the overall site
- £55,457 net movement in fixed furniture and equipment consolidation exercise

The Legal Case

3.0 Legal Case

- 3.1 The NPD Project Agreement which was signed at financial close reflects SFT's standard form Project Agreement, with additional project specific amendments, all as described within section 9 of the FBC. Section 9 of the FBC also confirmed that, at the close of the competitive dialogue period, a short table of comments was agreed to by NHS Ayrshire and Arran, with the support of its advisers and SFT, to reflect items discussed and agreed with the preferred bidder during dialogue. In the period between the preferred bidder appointment and financial close, a number of matters were clarified and fine-tuned for inclusion in the final, signed NPD Project Agreement document. The list contained within appendix 3 of this addendum notes the principal areas of discussion and contract finalisation during this period.
- 3.2 The final form of NPD Project Agreement was shared with SFT prior to execution, and all variances to standard form, including those of a minor and non-material nature, were highlighted and approved via the Key Stage Review process for the financial close stage of project. The approach taken by NHS Ayrshire & Arran's legal advisers and SFT in this regard was consistent with that taken at previous Key Stage Review milestones for the project.

The Financial Case

4.0 The Financial Case

- 4.1.1 The following wording has been restated in full from section 10 in the FBC with adjustment to the relevant figures/associated commentary for the position agreed at Financial Close.

10.1 Overview

- 10.1.1 The financial case considers the overall affordability of the preferred option based on the overall Capital and Revenue costs and impact on NHS Board's Income and Expenditure Account and Balance Sheet. The financial case has been updated to reflect the final financial model from the financial close process.

10.2 Background

- 10.2.1 The Outline Business Case (OBC) made the case for long lasting/sustainable improvements in clinical services to be introduced by the NHS Board in a cost effective manner. The Full Business Case confirms this position.
- 10.2.2 The investment in the Acute Mental Health and North Ayrshire Community Hospital will enable significant improvements in Mental Health and Other Services to be realised from new state-of-the-art facilities with 100% single room provision; introduced at no additional cost to the NHS Board through better use of existing resources, the revenue support from SGHSCD, and estate rationalisation measures in line with its Estates Development Strategy.
- 10.2.3 The foundation for this outcome remains the significant staff and stakeholder participation in the planning for the new hospital, the reduction in the bed requirements confirmed from the bed modelling as part of the move to more effective care in the community, improvements in clinical and other staff utilisation through a more productive workforce and the savings from the associated estate rationalisation.

10.3 Capital Costs and Funding

- 10.3.1 The Stage 1 Capital Costs at OBC were identified at £59.116m for the mixture of Non Profit Distribution (NPD) model for the new build elements (£50.953m capital value) / traditional public capital funding for improvement elements at Ailsa (£5.962m), plus fees and equipment (£2.2m).

10.3.2 The Stage 2 Capital Costs from the detailed plans at Full Business Case are projected at £54.645m (new build elements under the NPD capital value £46.605m as per Preferred Bidder / traditional public capital funding for premises improvement costs of £5.794m for services remaining at Ailsa site plus associated fees and equipment capital costs of £2.246m). Figure 17 details the Capital Costs Summary.

Figure 17: Capital Costs Summary

Element	NPD New Build Capital Value (£)	SGHSCD Improve ment Works Public Capital Funding (£)	NHSAA Fees/ Equipment Public Capital Funding (£)	Total (£)
Building Costs: New Build ACH	46,605,000	-	-	46,605,000
Building Costs: Improvement Work Ailsa	-	4,828,333	-	4,828,333
Furniture and Equipment	-	-	833,333	833,333
Advisor Fees (Legal/Financial/Technical etc)	-	-	1,246,000	1,246,000
VAT	-	965,667	166,667	1,132,333
Non Value Adding Elements	-	-	-	-
Total	46,605,000	5,794,000	2,246,000	54,645,000

10.3.3 The key elements of the NPD funding structure as developed through the preferred bidder funding competition are set out in appendix 4.

10.3.4 Traditional public capital funding of £5.794m is to be provided by Scottish Government to cover the cost of improvements to the following wards / departments remaining at Ailsa Hospital :-

Figure 18 : Capital costs of improvements to premises for services remaining at Ailsa site

Ward/Department	Cost of refurbishment works (£)	Fee costs including Planning Approval (£)	VAT costs net of relief (£)	Optimism Bias (4%) (£)	Total Capital Costs (£)
Iona/Lewis	643,559	130,133	133,538	32,178	939,408
Jura	841,512	190,376	174,614	42,076	1,248,578
Dunure	625,000	126,625	129,688	31,250	912,563
Clonbeith	748,000	172,702	155,210	37,400	1,113,312
Croy/Resource Centre	564,000	118,136	118,440	28,200	828,776
Decant	459,850	123,665	98,868	68,978	751,361
Total	3,881,921	861,637	810,358	240,082	5,793,998

- 10.3.5 The capital resources to cover these costs of improvements and the source for the public capital funding from SGHSCD, is provided by the following capital receipts from the planned estate rationalisation measures in the Board's Asset Disposal Programme:-

Figure 19: Summary of capital receipts

Location	2012/13 (£)	2013/14 (£)	2014/15 (£)	2015/16 (£)	2016/17 (£)	2017/18 (£)	Total (£)
ACH Surplus Land	-	-	150,000	1,000,000	1,500,000	1,350,000	4,000,000
Seafield Hospital	-	-	500,000	-	-	-	500,000
Holmhead Hospital	-	-	-	-	-	80,000	80,000
Strathdoon House	-	-	450,000	-	-	-	450,000
Hartfield House	435,000	-	-	-	-	-	435,000
Nightingale House	-	-	250,000	-	-	-	250,000
Westmount	-	245,000	-	-	-	-	245,000
Davidson Cottage Hospital	-	-	50,000	-	-	-	50,000
Patna Clinic	40,000	-	-	-	-	-	40,000
Crosshouse Clinic	-	23,000	-	-	-	-	23,000
Total	475,000	268,000	1,400,000	1,000,000	1,500,000	1,430,000	6,073,000

- 10.3.6 An additional benefit from the Development investments is significant elements of backlog maintenance costs at Ayrshire Central will be avoided through the new build and demolition programmes. This will reduce the total backlog of £19m by around £6.8m (36%).

10.4 Capital Investment Plan

- 10.4.1 A copy of the Board's latest Capital Investment Plan (CIP) approved as part of the Local Delivery Plan was included at Appendix O of the FBC.
- 10.4.2 This covers the planned Development investments and the projected capital receipts from the asset disposal programme.
- 10.4.3 The CIP identifies the projected cash flow for the premises improvements / fee elements subject to public capital funding. These projections have been agreed with SGHSCD as part of the approval of the Local Delivery Plan.

- 10.4.4 The CIP also highlights that the NHS Board will this year complete a programme of enabling works at the Ayrshire Central site to facilitate the investment. This programme has included capital investments totalling just under £17m over the last five years. A summary of the main service improvements already effected is highlighted in Figure 20 below :-

Figure 20: Capital investment on Ayrshire Central site over the period 2009/10 to 2013/14

Details	Capital Cost (£000)	
New Dental Department	531	(complete 09/10)
External refurbishment - Horseshoe Building	2,586	(complete 09/10)
New Kitchen/Dining Room	3,254	(complete 09/10)
New Sexual Health Premises	1,525	(complete 09/10)
Extension to Outpatient Department	1,436	(complete 10/11)
New Central Decontamination Unit (CDU)	5,294	(complete 10/11)
Refurbishment work to Pavilions 10/11	178	(complete 10/11)
Site Continuity Plan - CAMHS/LDS	647	(complete 13/14)
Site Continuity Plan – Other elements	1,357	(complete 13/14)
Total	£16,808	

10.5 NPD Annual Service Payment (Unitary Charge)

- 10.5.1 A monthly service payment (unitary charge) will be paid for the provision of facilities, which will be met by the NHS Board from the revenue budget. The Board will be responsible for meeting the Hard Facilities Management Services and 50% of the lifecycle maintenance elements. The Scottish Government will meet the remaining elements of the annual service payment via revenue support funding.
- 10.5.2 The cost of service payments for the first full year of operation split between the element funded by the Board and the element funded by Scottish Government is highlighted in Figure 21 below. The Board funded element is subject to an annual indexation adjustment. There are also a number of pass through costs mainly relating to utilities which are funded by the Board.

Figure 21: Funding of Annual Cost of Service Payments

	FBC £000	FBC Addendum £000
SGHSCD Funded	4,594	4,421
Board Funded (100% Hard FM/50% Lifecycle)	511	538
Operations Insurance (estimate)	45	45
Total Annual Service Payment	5,150	5,004

The movement in the SGHD Funded portion related to the change in the funding costs, both in terms of the underlying funding swap rate and also the costs of senior debt. Full details on this are set out in appendix 4. A full breakdown of the Service Payment split for each year is provided in appendix 5.

As noted in the commercial case the hard facilities management and lifecycle maintenance costs remained unchanged from FBC to this addendum. The movement in the Board proportion reflects a revision to the method for application of inflation in calculating the split between SGHD and the Board.

10.6 Revenue impact on Income & Expenditure Account and Affordability

10.6.1 The projected recurring revenue implications resulting from this investment is highlighted in Figure 22 below. The change in implications between FBC and this addendum relate to the revised Service Payment described above.

Figure 22: Recurring Revenue Implications

Summary		OBC Cost / (Saving) £	FBC Cost / (Saving) £	Addendum FBC Cost / (Saving) £
Direct Cost of Re-Provision of Services				
-	Clinical Service Costs	19,631,453	19,576,419	19,576,419
-	Non Clinical Service Costs	10,725,278	10,055,984	9,909,984
Less	Current Clinical Service Costs	(20,220,657)	(20,165,419)	(20,165,419)
Less	Current Non-Clinical Service Costs	(4,885,363)	(4,872,846)	(4,872,846)
Less	NPD Funding provided by SGHSCD	(5,327,150)	(4,594,500)	(4,421,000)
Less	Operations Insurance (estimate) funding provided by SGHSCD	-	(45,000)	(45,000)
Less	Estate Rationalization Savings	(151,773)	(154,110)	(154,110)
Net Revenue Cost / (Saving)		(228,171)	(199,472)	(171,972)

Detailed make up of these figures is shown in appendix 6.

10.6.2 The doubling of non-clinical service costs are primarily due to the introduction of a unitary charge of £5.0m, but also depreciation costs more than double from £595,000 to £1.356m for the ' on-balance sheet ' accounting treatment of the asset. Further detail on the revenue costs are contained in Appendix P.

10.6.3 The associated estate rationalisation measures have increased the overall recurring revenue saving to £0.172m, which has been covered in the medium term Financial Plan (this updates the savings of £0.228m highlighted in the OBC).

10.6.4 The following non-recurring revenue costs have also been provided for in the medium term Financial Plan :-

Excess travel costs (annual costs up to 4 years) £101,863

Residual running costs of vacated property at Ailsa/Crosshouse (property related annual running costs prior to re-use or demolition as appropriate) £622,207

10.7 Impact on Balance Sheet

10.7.1 The Valuers have reviewed the plans and identified that life expectancy for the new build elements will be 50 years with 25 years for refurbished elements.

10.7.2 The Valuers have agreed that the fair valuation for the NPD on-balance sheet valuation of the asset will equate to the overall cost of construction. The non-value adding elements have been assessed at £3.456m (mainly fees from the previous Framework Scotland contract). These non-value adding fee costs were recognised as a DEL non-cash impairment in 2013/14.

10.7.3 The write-down of buildings zoned for demolition, have already been actioned as AME impairments with SGHSCD following the approval of the Outline Business Case.

10.8 European System of Accounts (ESA 10) Assessment

10.8.1 The Board's financial advisors have conducted a review of the project under European System of Accounts 2010 (ESA10) standards. Their view is that to be off balance sheet for the Scottish Government under ESA 10, the Scottish Government would score the Board's payments to the Operator against its Revenue Departmental Expenditure Limit ('RDEL') rather than its Capital DEL ('CDEL').

10.9 Asset Impairment

10.9.1 The investment will require the following capital impairment, agreed with the Valuers, to be funded by SGHSCD as a DEL non-cash impairment in 2013/14:-

- Non-value adding element of capital build £3,456,000

10.10 Conclusion

- 10.10.1 This programme is a strategically vital investment to the NHS Board which will provide the means to deliver national and local priorities for Mental Health and other patient improvements which demonstrate affordability and value for money within the funding envelope allocated by the Board.
- 10.10.2 Under the “Hub and Spoke” model in the Estates Development Strategy, the programme will complete the NHS Board’s programme of community hospital investments starting with East Ayrshire Community Hospital opened in 2000 and Girvan Community Hospital opened in 2010.
- 10.10.3 The proposed programme will act as an enabling investment promoting service improvement, best use of resources as well as providing a “state-of-the-art” environment to better meet needs and aspirations of patients, staff and the local communities.
- 10.10.4 Due process has been followed at all stages and the Financial Close protocol is attached as appendix 7.

Appendix 1 - Planning Approval Letter



**NORTH AYRSHIRE
COUNCIL**

KAREN YEOMANS : Head of Service (Development Planning Services)

No: N/14/00153/MSCM
(N/12/00475/PPPM)

APPROVAL OF MATTERS SPECIFIED IN CONDITIONS Type of Application: Major Application

TOWN AND COUNTRY PLANNING (SCOTLAND) ACT, 1997,
AS AMENDED BY THE PLANNING ETC (SCOTLAND) ACT 2006.
TOWN AND COUNTRY PLANNING (DEVELOPMENT MANAGEMENT PROCEDURE) (SCOTLAND)
REGULATIONS 2013

To : NHS Ayrshire & Arran
 c/o IBI Nightingale Fao Tom Groves
 Princes Manor Barn
 Reading Road

Harwell
OX10 9QB

With reference to Condition(s) 1-19 of the planning permission in principle N/12/00475/PPPM granted by the Council on 20th February 2013 for erection of acute mental health and community hospital

in accordance with plans docquetted as relative thereto (ie 'that the approval of North Ayrshire Council as planning authority with regard to the siting, design and external appearance of, landscaping, and means of access to the proposed development shall be obtained before the development is commenced') the Council approve the proposals contained in the plan(s) listed in the attached schedule dated as indicated on the individual plans, lodged by you with the Council and docquetted as approved by North Ayrshire Council, the description being :

Erection of North Ayrshire Community Hospital with support accommodation including associated access, parking, landscaping and other works (12/00475/PPPM)

at Ayrshire Central Hospital
 Kilwinning Road
 Irvine
 Ayrshire
 KA12 8SS

The approval is subject to the following conditions and associated reasons, related to conditions on the approved planning permission in principle :-

- | | | |
|-----------|----|---|
| Condition | 1. | That prior to the commencement of the development a detailed Signage Strategy to improve directional and information provision to the satisfaction of North Ayrshire Council as Planning Authority. |
| Reason | 1. | In the interest of traffic safety and to reduce clutter. |
| Condition | 2. | Development shall not commence until an assessment of the potential for the proposed use to cause noise and vibration nuisance including, if applicable, noise produced by the ventilation equipment, to occupants in the surrounding area, has been submitted to the Council as Planning Authority. Where potential noise or vibration disturbance is identified, proposals for the attenuation of that noise or vibration shall be submitted to and approved in writing by North Ayrshire Council as Planning Authority. The approved scheme shall cover both development and operational phases and be implemented prior to either commencement of development or the development being brought into use, whichever is relevant, and |

shall thereafter be retained in accordance with the approved scheme to the satisfaction of North Ayrshire Council as Planning Authority. Such an assessment and the recommendation of any attenuation measures shall be carried out by a suitably qualified person.

- Reason 2. To meet the requirements of Environmental Health.
- Condition 3. (a) Prior to commencement of any works on site, the recommendations contained within the 2010 Geo-Environmental Assessment and Ground Investigation Report, submitted in support of the application, shall be implemented. Any amendments to the approved remediation plan shall not be implemented unless approved in writing by North Ayrshire Council as Planning Authority.
- (b) On completion of the remediation works, the developer shall submit a completion report to North Ayrshire Council as Planning Authority, confirming that the works have been carried out in accordance with the approved remediation plan and that the works have successfully reduced risks to acceptable levels.
- (c) Any previously unsuspected contamination which becomes evident during the development of the site shall be brought to the attention of North Ayrshire Council as Planning Authority within one week or earlier of it being identified. A more detailed site investigation to determine the extent and nature of the contaminant(s) and a site-specific risk assessment of any associated pollutant linkages, shall then require to be submitted to and approved in writing by the Council as Planning Authority.
- Reason 3. To meet the requirements of Environmental Health.
- Condition 4. The recommendations within the Extended Phase 1 Ecology Assessment, submitted in support of the application, shall be implemented to the satisfaction of North Ayrshire Council as Planning Authority. Details shall be submitted demonstrating of the undertaking and/or programming of these recommendations implementation.
- Reason 4. In the interests of preserving flora and fauna.
- Condition 5. That prior to the commencement of development, the applicant shall submit a strategic assessment of how new buildings shall reduce their CO2 emissions to a level above or in line with the building standards through appropriately designed: on-site low or zero carbon generating technologies (LZCGTs); and/or passive/operational energy efficiency measures. The specific implementation/detail documentation shall be submitted at the time of submission for Building Warrant
- Reason 5. To secure a sustainable development.

Reason(s) for approval 1. The proposal complies with the relevant provisions of the Local Development Plan and there are no other material considerations that indicate otherwise.

Dated this: 28 May 2014


.....
for the North Ayrshire Council

(The applicant is advised that all relevant conditions of the Planning Permission In Principle still apply and must be complied with).

(See accompanying notes). (The applicant's attention is particularly drawn to Note 5 (limit of duration of planning permission)).

Appendix 2 – Summary of changes in value of Capital Works

Change No.	Description of variation	Capex Implications	Comments
	Construction Capex (at Final Tender)	£46,660,440.00	
1	Reduction in IT Copper Cabling	-£7,000.00	
2	Rationalising and Reducing Socket Outlet Provision	-£71,667.40	
3	Changes in Anti-pass Windows Configuration	-£66,596.00	
4	Rationalise Future Proofing of Hoist Provision	-£18,450.00	
5	Confirmation of Medical Gases Provision	-£8,000.00	
6	Planning Gain / Agreement over Planning Conditions		Consideration of various works required to satisfy the planning conditions that could not have been foreseen during PB.
6.1	Upgrading Southern Junction / Entrance into Hospital Campus	£0.00	Sum of £30,000 included within ISFT Submission
6.2	Upgrade path between new bus stop and AMH & NACH from 2m wide to 3m wide	£0.00	Sum of £40,000 included within ISFT Submission
6.3	Additional 3m wide cycle/footpath between AMH & NACH site and a) west towards Castlepark and b) south towards new medical centre site	£84,400.00	
6.4	Allowance for street lighting associated with the above	£35,000.00	
6.5	Widening existing hospital campus roads to accommodate bus routing	£38,500.00	
6.6	Delete requirement to signalise Northern junction / entrance into hospital campus from Kilwinning Road	-£20,000.00	
6.7	Add requirements for re-alignment works to Northern junction / entrance into hospital campus from Kilwinning Road	£20,000.00	
7	Courtyards Reconfigured to Suit Clinical Need		Improved landscape measures to suit particular patient needs

Acute Mental Health and North Ayrshire Community Hospital

7.1	OP Assessment & Care Courtyard	£18,548.00	
7.2	OP Continuing Care Courtyard	£18,548.00	
7.3	Forensic Care Courtyard	-£1,138.00	
7.4	IPCU Courtyard	-£1,138.00	
8	Fixed Furniture & Equipment Consolidation Exercise		
8.1	Omit - FF&E as ISFT Submission	-£861,843.71	
8.2	Add - FF&E as ESA McIntosh Quotation 23 May 2014	£917,301.43	
9	Reduction in Quantity of Anti-Barricade Doors	-£10,354.00	
10	HI-LO Baths	£15,469.00	1 No additional HI-LO bath to be included as a Group 1 item
11	Introduction of Zip Hot and Chilled Water Outlets		Consolidation exercise undertaken of hot and chilled water requirements. These water outlets offer better functionality for patients over water boilers and separate chillers.
11.1	Omit - Zip Instaboil Boilers included within ESA McIntosh Quotation 23 May 2014	-£54,070.12	
11.2	Add - Zip Hydro Tap / Hot and Chilled Water	£45,458.66	Agreed requirements established with clinical staff - BC120/60+ Zip Instaboil Boiler & Filtered Chilled Water, Normal Demand. 120 Cups Per Hour
11.3	Add – Hot Water Boilers	£6,834.39	Water Boilers to non-patient accessed areas added.
11.4	Add – Water Coolers Omit - Water Boilers	£2,275.70	Supply & Install. Previously Group 2 Item. Water Boilers Deleted from FF&E Item 8.0 above
12	Staff Attack Alarm – Alarm Identification Methodology Confirmed	-£17,813.00	
	Sub total – Net Cost Change	£64,264.95	
	Removal of Performance Bond	-£120,000	
	Revised Construction Capex Total	£46,604,704	

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Appendix 5 – Funding of Annual Service Payment

This appendix sets out the split out of the Annual Service Payment (ASP) as per the final model between SG and NHS A&A funded element

SCHEDULE : Revenue Funding Support at Full Business Case approval

NHS Ayrshire and Arran

Acute Mental Health and North Ayrshire Community Hospital

Calculation based on financial model:

A		B	C	D = B+C	E	F = D+E
Year ending	Nominal Authority Contribution	SGHSCD Non-indexing Annual Service Payment	SGHSCD Indexing Annual Service Payment (nominal)	Total support for Annual Service Payment before Operational Insurances (nominal)	Estimated Operational Insurances (nominal)	Total Estimated Support
31 March 2016	14	144	21	165	0	165
31 March 2017	525	3,880	423	4,303	44	4,347
31 March 2018	538	3,966	455	4,421	45	4,466
31 March 2019	551	3,966	466	4,432	47	4,479

31 March 2020	566	3,966	477	4,442	48	4,490
31 March 2021	583	3,966	486	4,452	49	4,501
31 March 2022	598	3,966	498	4,464	50	4,514
31 March 2023	613	3,966	511	4,477	51	4,528
31 March 2024	629	3,966	522	4,488	53	4,541
31 March 2025	644	3,966	537	4,502	54	4,556
31 March 2026	660	3,966	550	4,516	55	4,571
31 March 2027	676	3,966	564	4,530	57	4,586
31 March 2028	694	3,966	577	4,542	58	4,601
31 March 2029	710	3,966	592	4,558	60	4,618
31 March 2030	728	3,966	607	4,573	61	4,634
31 March 2031	746	3,966	622	4,588	63	4,651
31 March 2032	766	3,966	636	4,602	64	4,666
31 March 2033	784	3,966	654	4,620	66	4,685
31 March 2034	804	3,966	670	4,636	67	4,703
31 March 2035	824	3,966	687	4,653	69	4,722
31 March 2036	846	3,966	702	4,668	71	4,739
31 March 2037	865	3,966	722	4,687	73	4,760
31 March 2038	887	3,966	740	4,705	74	4,780
31 March 2039	909	3,966	758	4,724	76	4,800
31 March 2040	934	3,966	775	4,741	78	4,819
31 March 2041	930	3,813	755	4,568	80	4,648
31 March 2042	-	-	-	-	-	-

Notes

- 1 All stated amounts are in £'000's and exclusive of VAT.
- 2 The SGHSCD Non Indexing element is fixed at Financial Close and stated above

- 3 For Board/SG budgeting purposes the SGHSCD Indexing Annual Service Payment is calculated once the ASP has been calculated by reference to the payment mechanism. The SGHSCD Indexing Annual Payment equals ASP less the SGHSCD Non Indexing ASP less the nominal authority contribution for hard FM and 50% lifecycle. The calculation of these elements is illustrated in tab "PF12 UC contribution"
- 4 The nominal authority contribution is uplifted annually in accordance with RPI. Nominal amounts in the Financial Close model assume annual RPI at 2.5% with a base date of June 2014 and first uplift on 1 April 2015.
- 5 Operational Insurances stated are estimates. Actual payments will be calculated and charged in accordance with the contract and funded by Scottish Government.

Appendix 6 – Summary of NHS Costs / Supporting Schedules

Total Financial Costs

NHS AYRSHIRE AND ARRAN – NPD MODEL (New Build) / PUBLIC CAPITAL FUNDING (Refurbishment)

ACUTE MENTAL HEALTH AND NORTH AYRSHIRE COMMUNITY HOSPITAL

NPD New Build ACH /
Refurbishment Ailsa
Public Capital
(Option 2A)
£

TOTAL FINANCIAL COSTS

DIRECT COSTS OF RE-PROVISION OF SERVICE

	CAPITAL INVESTMENT (Schedule 1)	54,645,000
	NON CLINICAL RUNNING COSTS (Schedule 2)	9,909,984
	DIRECT CARE COSTS (Schedule 5)	19,576,419
Less:	CURRENT NON CLINICAL RUNNING COSTS (Schedule 3)	(4,872,846)
	CURRENT DIRECT CARE COSTS (Schedule 5)	(20,165,419)
Less:	SAVINGS IDENTIFIED FROM ESTATE RATIONALISATION (Schedule 6)	(154,110)
	ADDITIONAL/(REDUCED) RUNNING COSTS	4,294,028
Less:	<u>NPD Funding provided by SGHD</u>	
	Unitary Charge	(4,256,000)
	50% Lifecycle Costs	(165,000)
Less:	Operational Insurance (estimate)	(45,000)
	BOARD NET REVENUE COSTS/(SAVINGS)	(171,972)

NON-RECURRING COSTS TO BE FUNDED BY NHS BOARD

	ANNUAL RUNNING COSTS OF VACANT PROPERTIES (Schedule 4)	622,207
	EXCESS TRAVEL COSTS (Schedule 5)	101,863
	TOTAL OF NON-RECURRING COSTS	724,070

FUNDED BY SGHSCD IN 2013/14

	NON VALUE ADDING FEES ACCOUNTED AS NON_CASH DEL IMPAIRMENT	3,456,000
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Schedule 1

NHS AYRSHIRE AND ARRAN

**ACUTE MENTAL HEALTH AND NORTH AYRSHIRE COMMUNITY HOSPITAL – NPD MODEL (New Build) / PUBLIC CAPITAL FUNDING (Refurbishment)
SCHEDULE 1 - DIRECT CAPITAL COSTS FOR RE-PROVISION OF SERVICES**

			New Build ACH / Refurbishment Ailsa (Option 2A)			
			SGHD	AANHS		
			Public Capital	Public Capital		
			Funding	Funding		
			Premises Improvement	Equipment/Fees		TOTAL
NPD						
New Build						
			£	£	£	£
<u>CAPITAL COST ANALYSIS</u>						
Building Costs	New Build	ACH	46,605,000	0	0	46,605,000
	Improvement Programme	ACH/Ailsa	0	4,828,333	0	4,828,333
Furniture, Fixtures and Equipment			0	0	833,333	833,333
Legal/Technical/Financial Advisers			0	0	1,246,000	1,246,000
VAT			0	965,667	166,667	1,132,334
Optimism Bias			0	0	0	0
Assumed Non Value Adding Element of Capital Costs			0	0	0	0
TOTAL CAPITAL INVESTMENT			46,605,000	5,794,000	2,246,000	54,645,000
	New Build		46,605,000	0	0	46,605,000
	Improvement Programme		0	5,794,000	0	5,794,000
	Design/Legal/Financial Adviser Fees		0	0	1,246,000	1,246,000
	Furniture & Equipment		0	0	1,000,000	1,000,000
TOTAL CAPITAL INVESTMENT			46,605,000	5,794,000	2,246,000	54,645,000

Schedule 2

**NHS AYRSHIRE AND ARRAN
ACUTE MENTAL HEALTH AND NORTH AYRSHIRE COMMUNITY HOSPITAL – NPD MODEL (New Build) / PUBLIC CAPITAL FUNDING
(Refurbishment)**

SCHEDULE 2 - NON CLINICAL RUNNING COSTS FOR RE-PROVISION OF SERVICES

**NPD (New Build)
Traditional Public
Capital Refurbishment/
Equipment
& Fees
(Option 2A)
£**

ANALYSIS OF NON-CLINICAL COSTS

Catering		915,000
Rates	£24 per m ² New/£20 per m ² Refurb (factored for DPRR)	255,408
Energy	£33 per m ² New/£36 per m ² Refurb	822,576
Domestic	£50 per m ²	1,211,750
Maintenance	£25 per m ² New/£29 per m ² Refurb	231,170
Allowance for Flooring and Decoration		114,000
<u>NPD Costs (from preferred bidder model)</u>		
Unitary Charge for New Build under NPD		4,256,000
Lifecycle Costs to maintain Building		330,000
Hard FM		373,000
Operational insurance costs (estimate)		45,000
Capital Charges Depreciation (based on 50 years new/25 year refurbishment, 10 years equipment)		1,356,080
		1,356,080

TOTAL RUNNING COSTS

9,909,984

Schedule 3

**NHS AYRSHIRE AND ARRAN
ACUTE MENTAL HEALTH AND NORTH AYRSHIRE COMMUNITY HOSPITAL – NPD MODEL (New Build) / PUBLIC CAPITAL FUNDING
(Refurbishment)**

SCHEDULE 3 - EXISTING NON CLINICAL RUNNING COSTS

	Ailsa	ACH	ACH	ACH	Crosshouse	
	Wards	Pav 1 & 2	Pav 3, 5 & 6	Pav 4, 7, 8, 9 & Day Hospital	1D/1E	TOTAL
	£	£	£	£	£	£
<u>ANALYSIS OF EXISTING NON-CLINICAL RUNNING COSTS</u>						
Catering	506,810	115,650	582,000	0	98,000	1,302,460
Rates	48,000	16,484	24,662	43,892	36,000	169,038
Energy	557,598	59,496	89,099	158,550	73,424	938,167
Domestic	632,073	99,254	148,011	252,500	104,000	1,235,838
Maintenance	350,778	44,105	65,770	120,000	51,388	632,041
Depreciation	365,203	41,282	45,478	73,654	69,686	595,303
TOTAL RUNNING COSTS	2,460,462	376,271	955,020	648,596	432,498	4,872,846

Schedule 4

NHS AYRSHIRE AND ARRAN

ACUTE MENTAL HEALTH AND NORTH AYRSHIRE COMMUNITY HOSPITAL – NPd MODEL (New Build) / PUBLIC CAPITAL FUNDING (Refurbishment)

SCHEDULE 4 - NON CLINICAL RUNNING COSTS OF RETAINING VACANT BUILDINGS ON EXISTING SITES

	Ailsa	Crosshouse	TOTAL
	£	£	£
<u>RUNNING COST OF RETAINING VACANT PROPERTY</u>			
Rates	48,000	36,000	84,000
Energy (10% of Appendix 3)	55,760	7,342	63,102
Maintenance (10% of Appendix 3)	35,078	5,138	40,216
Depreciation (based on existing on Appendix 3)	365,203	69,686	434,889
TOTAL RUNNING COSTS	504,041	118,166	622,207

Schedule 5

**NHS AYRSHIRE AND ARRAN
ACUTE MENTAL HEALTH AND NORTH AYRSHIRE COMMUNITY HOSPITAL – NPD MODEL (New Build) / PUBLIC CAPITAL
FUNDING (Refurbishment)**

SCHEDULE 5 - SUMMARY OF DIRECT CARE COSTS

	Current Costs £	Both Options New Build ACH/Refurb Option 2 £
Recurring Costs		
Nursing Salaries	15,113,196	14,573,196
Nursing Supplies	233,584	229,584
Senior Medical	1,675,265	1,675,265
Junior Medical	1,277,600	1,232,600
Pharmacy Supplies	334,163	334,163
Pharmacy/AHP	1,531,611	1,531,611
TOTAL RECURRING COSTS	20,165,419	19,576,419
Excess Travel		101,863

Schedule 6

NHS AYRSHIRE AND ARRAN

ACUTE MENTAL HEALTH AND NORTH AYRSHIRE COMMUNITY HOSPITAL – NPD MODEL (New Build) / PUBLIC CAPITAL FUNDING (Refurbishment)

SCHEDULE 6 - ESTATE RATIONALISATION IDENTIFIED FROM BUSINESS CASE

	Strathdoon £	Hartfield £	Nightingale £	Westmount £	TOTAL £
<u>SAVINGS PERTAINING FROM ESTATES RATIONALISATION</u>					
Depreciation	11,858	26,438	6,905	8,889	54,090
Energy	16,915	13,985	2,790	3,433	37,123
Maintenance	2,000	1,600	1,600	1,000	6,200
Rates	15,813	11,709	20,813	8,362	56,697
TOTAL SAVINGS FROM ESTATES RATIONALISATION	46,586	53,732	32,108	21,684	154,110

[Redacted]

Balfour Beatty

Investments



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