

**Greater Glasgow NHS Board**

**Board Meeting  
Tuesday, 16<sup>th</sup> December, 2003**

**Board Paper No. 3/73(b)**

**Chief Executive, GGNHSB**

**THE OUTCOME OF THE TENDER PROCESS FOR  
THE BEATSON ONCOLOGY CENTRE**

**Recommendation:** The Board is asked to:

- i) receive this report on the Phase II Redevelopment of the Beatson Oncology Centre;
- ii) note that both the capital and associated revenue costs for the project are within the sums previously agreed by the Health Department and West of Scotland Boards;
- iii) authorise the acceptance of the tender from the preferred bidder, subject to final approval of the full business case by the Health Department's Capital Investment Group.

**1. Background**

- 1.1 The second phase of the redevelopment of the Beatson Oncology Centre at Gartnavel General Hospital is one of the three early priorities for action in implementing the Board's Acute Services Plan. The project will replace and enhance substantially the facilities and services which are currently provided in the Beatson Oncology Centre within the Western Infirmary. Developed alongside and linked to the first phase of the redevelopment already completed at Gartnavel Hospital (The Tom Wheldon Building), this second phase of the project will deliver a single site, integrated tertiary cancer care centre for the West of Scotland. This specialist Centre will work in a West of Scotland network with the Cancer Unit Services developed in each of the West of Scotland NHS Board areas.

## **2. The Approval Processes for the Project**

- 2.1 The Scottish Executive Health Department's Capital Investment Group reviews major capital projects at the Outline Business and Full Business Case stages. The Capital Investment Group approved an initial Outline Business Case at its meeting in January, 2002. During calendar year 2002, a West of Scotland plan for the delivery of Specialist Oncology Services was developed through an inclusive process which produced an agreed service model for the West of Scotland Cancer Network.
- 2.2 In the light of this further work, the Outline Business Case was reviewed and updated to reflect the new strategy. Thereafter, a detailed paper, prepared as an addendum to the Outline Business Case, was discussed and agreed by the West of Scotland Board Chief Executives' Group on 27<sup>th</sup> January, 2003. That paper showed a revised capital cost of £86.7 million for the project, with final, associated revenue costs of £9.5 million. In the presentation made to West of Scotland Board Chief Executives, each NHS Board's "share" of the revenue was discussed and agreed.
- 2.3 The Capital Investment Group subsequently approved the addendum to the outline business case at its meeting in February, 2003 and confirmed a capital cost limit of £86.67 million for the project: the Minister for Health and Community Care had already made the commitment that the Health Department would provide the capital for this development.

## **3. The Affordability of the Project Following the Evaluation of Tenders**

- 3.1 The attached summary analysis prepared by the Director of Finance confirms that the project, including contractors' tender prices, matches the capital sum available and is in line with the original revenue sum proposed. Thus the capital cost limit of £86.67 million, including the contractor's cost for construction, fees and contingency of £60.337 million, has been met.
- 3.2 The revised revenue requirement calculated on the overall capital sum of £86.67 million is £7.7 million. The reduction from the higher revenue estimate presented to West of Scotland Board Chief Executives in January, 2003 stems largely from the standardisation in the interim of the application of capital charges, from the previous figure of 6% to the current figure of 3.5%. The maximum revenue contribution which NHS Greater Glasgow would require to meet, at 52.2% of the share of the extra costs, would be £4.04 million, a figure which is just £40,000 higher than the estimate of £4 million originally contained within the Board's Acute Services Plan.

#### **4. The Final Steps to Conclude Approval of the Project**

- 4.1 If the Board approves the project on this basis, it remains finally to obtain the Capital Investment Group's approval of the Full Business Case. The Full Business Case (which is available if Board Members wish to have a copy) was submitted to the Capital Investment Group in late November for consideration at the Group's December meeting. The Business Case was shared simultaneously with Board Chief Executives and Directors of Finance within the West of Scotland NHS Boards as the Health Department will seek final, formal confirmation from each NHS Board of its agreement to the additional revenue costs which this project involves. Given, however, that the capital and associated revenue costs are within the financial parameters previously agreed by West of Scotland NHS Boards, it is not expected that the final agreement around "shares" of the additional revenue will be problematic. If the NHS Board and the Health Department's Capital Investment Group approve the project, the way will be clear to accept the tender from the preferred bidder in January, 2004, thereby delivering that key milestone in the project plan.
- 4.2 Finally, there are some financial risks associated with the project which will require careful management and monitoring in the period ahead. First, although the contractor's capital cost includes a revised risk schedule, strict capital cost control will be required throughout the project, including the control of equipment costs. Secondly, ongoing dialogue among West of Scotland NHS Boards will be necessary in relation to the funding of future increases in workload undertaken by the Beatson Oncology Centre, as both the Outline Business Case and Full Business Case explicitly exclude this factor. Thirdly, the calculations of affordability assume a six month transfer period of services into the new Centre, but exclude any additional requirement which might arise to use the vacated buildings for other purposes. Each of these risks will be the subject of vigorous monitoring and review in the period ahead, but none of them is judged to have a material impact on the assessment of affordability presented for the Phase II redevelopment.

T.A. Divers  
Chief Executive  
11.12.03

ACUTE STRATEGY  
BEATSON – 218 BEDS

Description	Building			Equipment	Total
	Contractor	Trust	Total	Total	Total
	£	£	£	£	£
<b>Budget</b>					
Total Cost					86,670,025
less VAT					
<b>Net Budget</b>					86,670,025
<b>Split</b>					
Base Cost	53,190,722		53,190,722		53,190,722
Fees	4,272,750	1,385,837	5,658,587		5,658,587
Non Works Cost		450,000	450,000		450,000
Equipment				23,265,000	23,265,000
Contingency	2,873,174	69,292	2,942,465	1,163,250	4,105,715
<b>Net Budget</b>	60,336,646	1,905,129	62,241,775	24,428,250	86,670,025
<b>Description</b>	<b>Total</b>				
	£				
Acute Service Revenue Cost Assumption	4,000,000				
Current Revenue Cost Assumption based on Total Cost of £86,670,025 of which GGNHSB Share	7,742,629				
	4,041,652	(GGNHSB Share @ 52.2%)			
Savings / (Shortfall)	-41,652				