

Review of NHS Lanarkshire's approach to the site feasibility option appraisal for the Monklands Replacement Project (MRP)

The fundamental principles of an Economic Appraisal for an Outline Business Case have not materially changed through the introduction of the new Scottish Capital Investment Manual in 2017. The main changes were to improve the explanation of approach within the guidance, keep it up to date with any changes within the Treasury Greenbook on economic appraisals, and to provide more information on the recommended approach to presentation of the results within the business case. Hence, this review reflects on the approach adopted by NHS Lanarkshire on the site selection for the Monklands Replacement Project (MRP) against the new SCIM guidance.

The SCIM appraisal process includes six main steps which are listed below, along with commentary on NHS Lanarkshire's approach to each step:

1. Identify a shortlist of options

There is no specific SCIM guidance on the approach to this step other than it needs to be done. It is understood that following a comprehensive trawl of available sites, a consultation and engagement process was carried out to confirm the short-list of sites to review within the appraisal process and is thus consistent with SCIM principles.

2. Identify and Quantify the Monetary Costs and Benefits of Options (Including Do nothing or Do Minimum).

Monetary costs predominantly include site purchase costs, construction costs, life cycle costs over a 60 year period, and comparative additional revenue costs. This is consistent with other new build NHS capital projects and complies with SCIM requirements.

3. Outline Non-Monetary Costs and Benefits.

SCIM suggests that wherever possible costs and benefits should be valued in money terms, however, where it is impractical to do this then the recommended approach is to use the 'weighted scoring method' i.e. identification, weighting and scoring of an appropriate set of non-financial benefits. This is the process followed by NHS Lanarkshire as described in its Overview Paper and is consistent with other NHSScotland building related capital project business cases and SCIM guidance.

The described engagement process for identifying, weighting and scoring the main non-financial benefits is comprehensive and appropriate for a project of this complexity.

4. Calculate Net Present Value.

SCIM acknowledges that for projects where costs exceed monetary benefits then the use of Net Present Cost is acceptable – this is the approach carried out by NHS Lanarkshire and is also a common approach for most other NHS building projects.

In order to calculate the Net Present Cost for each option. NHS Lanarkshire have prepared lifecycle models for each site covering the period of site purchase and construction plus a further 60 life for the asset. This is consistent with SCIM guidance. Discount rates for this assessment are also consistent with SCIM guidance.

5. Sensitivity Analysis and Risk assessment.

Sensitivity analysis of the results of the benefits and costs of each option being considered is

comprehensive and consistent with SCIM guidance. An extract of the draft business case was made available which demonstrated the range of sensitivity analysis carried out. It was further noted that this analysis appeared to confirm that even after considering a range of sensitivity tests the preferred option remained valid. Such an outcome is the main value of carrying out a sensitivity analysis and thus demonstrates its value to this exercise too.

6. Present NPVs across all Options and Present Preferred Option.

This section of the guidance provides advice on how best to present the results of the Economic Appraisal in an Outline Business Case document. An extract draft of this section of the business case was shared as part of this review and was observed to present the full results of the appraisal exercise in a clear and open manner, as currently drafted.

This section of the guidance also provides advice on how to determine the preferred option. NHS Lanarkshire's described approach of calculating and comparing the Net Present Value per benefit point, comparing risk scores, and considering the results of the sensitivity analysis is aligned with SCIM guidance. Furthermore, it is understood that NHS Lanarkshire are also considering the socio-economic aspects of each site through the Fairer Scotland Duty (FSD) Assessment process. This is being undertaken by its Public Health team and will add important additional information and value to the final decision making process which determines and confirms the preferred site option.

7. Other Observations

The overview paper highlights a few concerns raised by participants of the appraisal process, whilst also explaining the advice that has been given to include these factors within the risk appraisal score. The approach taken seems appropriate, based on the advice given.

This review was carried out by the lead author of the new Scottish Capital Investment Manual with expertise in reviewing business cases on behalf of Scottish Government. It was specifically focussed on the approach taken by NHS Lanarkshire and the appropriateness of how they applied the SCIM guidance. It provides no commentary on the actual numbers attributed to the appraisal of benefits, costs or risks.

In conclusion, the approach taken by NHS Lanarkshire on the site selection for the Monklands Replacement Project (MRP) is considered to be consistent with other NHS capital new build business cases, the approach taken was inclusive and comprehensive, and it is compliant with the recommendations described with the Scottish Capital Investment Manual (SCIM).

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