



National Health Service In Scotland
Management Executive

St. Andrew's House
Edinburgh EH1 3DG

Dear Colleague

**CAPITAL BUILDING PROJECT APPROVALS AND
MONITORING**

Summary

1. This letter introduces agreed revisions to our capital building project approval procedures and monitoring.
2. The essential elements of the revised procedures are the introduction of a one-stage capital building project approval procedure for all non-delegated cases, and of simplified monitoring returns.

Action

3. These new arrangements come into effect on 1 June 1992.
4. This letter should be copied to Unit General Managers and Project Directors for action as required.

Yours sincerely

H R McCALLUM
Director of Estates

24 May 1992

Addresses

For action:

General Managers,
Health Boards

Chief Executives and
Chief Executive Designate,
NHS Trusts

General Manger,
State Hospital

General Manager,
Common Services
Agency

For information:

General Manager,
Health Education Board
for Scotland

To be copied to Unit
General Managers for
action

Enquiries to:

J H Young FRICS
Estates Division
NHS Management
Executive
Room 350
St Andrew's House
Edinburgh EH1 3DG
Tel: 031 244 2078
Fax: 031 244 2323

CAPITAL BUILDING PROJECT APPROVALS AND MONITORING

Guidance Note

Introduction

1. This guidance note deals with the introduction of revised procedures for the approval of capital building projects and for project monitoring.
2. The new arrangements operate with effect from 1 June 1992.
3. The essential elements of the revised procedures are the introduction of a one-stage capital building project approval procedure for all non-delegated cases, and of simplified monitoring returns.

Application

4. The revised procedures do not affect existing delegated limits which remain as £2.5m for all mainland Boards and £0.3m for Island Boards.
5. With effect from 1 June 1992 the delegated limit for the State Hospital and the Common Services Agency is set at £2.5m.
6. Responsibility for the acquisition, disposal and general management of Trust assets rests with the Trusts themselves subject to any limitation imposed as part of the Establishment Orders and to the over-riding accountability of Trusts to the Secretary of State. In the context of capital building projects Trusts will be required to follow the procedures laid down in this circular for obtaining approval for capital building projects with an estimated works cost of £2.5m or more.
7. The estate both as it exists and as it develops is a provider responsibility and Boards and other providers are accountable through their General Managers/Chief Executives to the Chief Executive (NHS in Scotland). It is therefore essential that for capital building projects the General Manager/Chief Executive undertakes or appoints someone to undertake the functions of Project Director as described in SHHD/DGM(1991)21. The Project Director carries full client responsibility for the project and all its aspects including monitoring.

Revised Approval Procedures

8. The revised procedures introduce a one-stage approval subsequent to option appraisal. This "Approval-to-Build" (ATB) will be submitted at RIBA Plan of Work Stage B: Feasibility, and therefore coincides with Stage 1: Pre-Design Cost Limit as described in the current Procedures Subsequent to Approval in Principle (PSAP).
9. This stage in the design process is that where cost estimates are expected to be based on an assessment of the feasibility of a specific proposal on a particular site. It is consistent with the fact that providers in responding to purchasers' identification of changes in service needs will require this quality of information before seeking a funding commitment and before inclusion as a firm intention in a business plan.

10. ATB submissions to the Management Executive must be made using the attached forms (ATB1 and 2). The forms contain guidance on completion where appropriate.
11. An ATB submission must be supported by evidence that it is:-
 - a. consistent with an extant option appraisal approval;
 - b. underwritten by contracts with purchasers; or
 - c. consistent with local health strategies and has the endorsement of its principal purchasing bodies; and
12. A formal Approval to Build will include, for projects valued at £5m or more, an indication but not a guarantee of the financial year within which funding for the construction phase of the project may be anticipated to begin.
13. Subsequent to ATB the project may be taken forward to tender acceptance without further reference to the Management Executive so long as the Project Manager can certify to the Project Director as the design develops that its cost inclusive of equipment and professional fees is within that approved at ATB in real terms plus 7½%.
14. In the event that the Project Manager cannot so certify the Project Director should appraise all options. If additional funding approval is sought then this must be supported by a detailed statement of the cause of the escalation in cost, the actions taken to contain costs within the allowed budget and the justification for increased expenditure.
15. Similarly a further project approval reference is required if it is proposed to change the functional content of the project or if it is proposed to make some other significant change to the scheme or development which has received ATB.
16. If at tender stage costs are within the above limit a contract may be entered into subject to the General Manager/Chief Executive confirming to his/her satisfaction that there is sufficient funding available in the Capital Allocation.
17. Where a project has already received Approval in Principle or any of the subsequent stage approvals it may be taken to tender stage subject to the provisions of paragraph 13 before.
18. Apart from the above changes the ATB submission should be prepared in accordance with extant guidance on the procurement of health buildings. These documents are presently under review and revised guidance will then be issued by the Management Executive which will reflect changes in the mandatory procedures dealt with in this circular and provide a clear distinction between mandatory procedures and related monitoring, statutory procurement requirements (eg EC Directives and public purchasing policy) and advisory guidance on procurement or other related matters.
19. Boards etc are reminded that design must follow cost, Department Cost Allowances must not be exceeded and increases in Departmental Cost Allowances due to revised guidance published subsequent to ATB must be contained within the 7½% allowance.

20. Adoption of the changes described above is conditional upon strict compliance with all the essential monitoring requirements of the Management Executive.

Revised Project Monitoring

21. These revised procedures are concerned with project monitoring not programme monitoring. Changes to improve the capital planning, allocation and programme monitoring systems were covered in circular SHHD/DGM(1992)21 issued on 27 March 1992.

22. For project monitoring, the essential need is to have available the minimum data that will enable the Management Executive to:-

- a. be aware of the performance of Health Boards in managing their capital projects, and in particular in controlling cost and time overruns
- b. be aware of project activity and outcomes for Ministerial and related requirements
- c. be aware of outcomes for comparison with plans, allocations and national targets
- d. maintain a reliable cost allowance system
- e. demonstrate by adequate records of completed projects that value for money has been achieved.

23. The information required is consistent with that which Boards would be expected to have available for their own project management and control purposes.

Major Capital Projects

24. The required monitoring forms in respect of projects with an estimated net building and engineering cost of £1m or more are attached. [Forms PM1 to PM4] The level of £1m is determined by the current requirements of HM Treasury. The forms contain guidance on completion where appropriate and identify the timing of the various submissions.

25. These new forms are designed to collect information, some of which is presently given on CONCISE. Where Boards operate the CONCISE system and make full returns, it will only be necessary to complete those parts of the new forms not covered by CONCISE.

Minor Capital Projects

26. Information on minor projects that is those with a works costs between £0.3m and £1m is currently collected on Tender Monitoring Form E which is submitted within 14 days of tender acceptance. Because of new HM Treasury requirements information is now required at completion stage with certain information required on intermediate stages. Form E is therefore withdrawn and replaced with a minor projects monitoring form [Form PM(Minor)] to be completed in two stages. A copy is attached.

NHS in Scotland
Management Executive