

## FBC – Procurement and Equipment Planning Considerations

### Key Points

Potential that overall delivery programme for 3Ts will shorten from 10 to 7 years.  
Interface between Strategic Capital (3Ts Funding and Operational Capital).  
Phasing of expenditure and cashflow.

### Status

The Bill of Quantities (BOQ) in its current form is not representative of the latest design work undertaken by the PSCP team. It dates prior to stand down in September 2011.

A re-run of the BOQ was requested prior to stand-down, but not provided. This will be required as part of the remobilisation process (commencing October 2014).

The Outline Business Case identifies a total equipment budget of £58.3m. Of this, £29.7mn is funded directly by the 3Ts Programme, and £28.6mn is to be funded by Trust Operational Capital. Changes since OBC are around IT equipment.

The BOQ in its current form does not identify transfer assumptions on a line by line basis. This will need to be identified working with the PSCP as the design process progresses.

The 3Ts Programme is split into three stages. The current programme indicates that construction works for Stage One will start on site in December 2015 and run through to September 2019. Stage One is planned to be operational by January 2020.

Stage Two construction works will start on site in December 2019 and run through to October 2022. Stage Two is planned to be operational by January 2023.

Stage Three will follow thereafter, but the scope is not as extensive, and procurement / equipping work required for stage three completion is minimal.

Key dates therefore are:

**Stage One** – commissioning on site from October 2019 – January 2020.

**Stage Two** – commissioning on site from October 2022 – August 2022.

### Analysis

Analysis work on the current version of the BOQ shows that circa 70% of the equipment is required in Stage One, and circa 30% of the equipment is required in Stage Two.

Stage	Totals	As % of Total	Of 3Ts Funding	Call on Op Cap
1	£41,087,147.93	0.7048	£20,931,189	£20,155,959
2	£17,189,081.93	0.2948	£8,756,702	£8,432,380
3	£23,770.14	0.0004	£12,109	£11,661
<b>Total</b>	<b>£58,300,000.00</b>	<b>1.0000</b>	<b>£29,700,000*</b>	<b>£28,600,000</b>

\* Plus IT costs now £31,694,000

Further analysis has been undertaken on the total expenditure to consider high cost centres. These may be one off purchases of large items or specialist medical equipment, or

aggregated expenditure of lower value items, considering total expenditure across the programme.

The BOQ in its current form does not inform where the equipment is located, so analysis of specific equipment expenditure across the stages is estimated by an informed assessment.

This analysis shows that there is high expenditure in Stage One in areas such as hot and cold imaging, and neurosciences. In Stage Two, there is high expenditure on specialist radiotherapy equipment. However, the overall analysis by % equates to the overall scheme taking into account that some of the “high expenditure” is split across the stages.

Stage	Spend IEO £50k	As % of Total
1	£34,441,120.00	0.6593
2	£11,455,000.00	0.2193
3	£6,341,773.00	0.1214
<b>Total</b>	<b>£52,237,893.00</b>	<b>1.0000</b>

Analysis of high expenditure areas helps us to understand phasing across the stages, and to estimate likely cashflows in the run up to commissioning each stage.

The timescales for completion of the procurement and commissioning process vary according to the level of expenditure and the complexity of the statutory regulations surrounding the procurement process. An indication as to the timeline to complete each process is given below:

Process	Contract Value	Procurement	Commissioning	Assumed % Of Total Activity
OJEU Tender	Greater than £113k	8 months	4 months	30%
UK Tender	£50k to £113k	4 months	2 months	50%
Quotation	£10k - £50k	1 month	1 month	20%

The OJEU tender threshold can vary with changes to legislation and assumptions here are based on the threshold figure as at November 2013.

The assumption as to what level of the total procurement activity will fall into each threshold grouping is at a very high level and not at all scientific.

It should not be assumed that all procurement for each stage can or would take place at the same time. This would require a higher level of focused resource than may be necessary if some procurement activity could be undertaken earlier and the workload more evenly spread in the months and years leading up to commissioning each stage. However, for the purposes of this analysis we can identify a latest start and finish date for each procurement activity:

Stage	Procurement Start	Contract Award	Commissioning Start	Commissioning Complete
<b>1</b>				
OJEU Tender	1st February 2019	30th September 2019	1st October 2019	31st January 2020
UK Tender	1st August 2019	30th November 2019	1st December 2019	31st January 2020
Quotation	1st December 2019	31st December 2019	1st January 2020	31st January 2020
<b>2</b>				
OJEU Tender	1st February 2022	30th September 2022	1st October 2022	31st January 2023
UK Tender	1st August 2022	30th November 2022	1st December 2022	31st January 2023
Quotation	1st December 2022	31st December 2022	1st January 2023	31st January 2023
<b>3</b>				<i>Assumed</i>
OJEU Tender	N/A	N/A	N/A	30th April 2023
UK Tender	N/A	N/A	N/A	30th April 2023
Quotation	1 <sup>st</sup> March 2023	31 <sup>st</sup> March 2023	1st April 2023	30th April 2023

From here we can start to try to project the anticipated cashflows arising from each of the procurement activities. The analysis tables below assume that 80% of the contract value is paid to the contractor at contract award, and a 20% retainer is paid following acceptance of the commissioned facility.

Anticipated Cashflows 3Ts

Stage	Procurement Start	Contract Award	80%	Pay Date	Commissioning Start	Commissioning Complete	20%	Pay Date	Check Sums
<b>1</b>									
OJEU Tender	1st February 2019	30th September 2019	£5,023,485.26	31st October 2019	1st October 2019	31st January 2020	£1,255,871.31	28th Feb 2020	£6,279,356.57
UK Tender	1st August 2019	30th November 2019	£8,372,475.43	31st December 2019	1st December 2019	31st January 2020	£2,093,118.86	28th Feb 2020	£10,465,594.28
Quotation	1st December 2019	31st December 2019	£3,348,990.17	31st January 2020	1st January 2020	31st January 2020	£837,247.54	28th Feb 2020	£4,186,237.71
<b>2</b>									<b>£20,931,188.57</b>
OJEU Tender	1st February 2022	30th September 2022	£2,101,608.51	31st October 2022	1st October 2022	31st January 2023	£525,402.13	28th Feb 2023	£2,627,010.63
UK Tender	1st August 2022	30th November 2022	£3,502,680.85	31st December 2022	1st December 2022	31st January 2023	£875,670.21	28th Feb 2023	£4,378,351.06
Quotation	1st December 2022	31st December 2022	£1,401,072.34	31st January 2023	1st January 2023	31st January 2023	£350,268.08	28th Feb 2023	£1,751,340.42
<b>3</b>						<i>Assumed</i>			<b>£8,756,702.12</b>
OJEU Tender	N/A	N/A	N/A	N/A	N/A	30th April 2023	N/A	N/A	
UK Tender	N/A	N/A	N/A	N/A	N/A	30th April 2023	N/A	N/A	
Quotation	1 <sup>st</sup> March 2023	31 <sup>st</sup> March 2023	£9,687.45	30 <sup>th</sup> April 2023	1st April 2023	30th April 2023	£2,421.86	31st May 2023	<b>£12,109.32</b>

Anticipated Cashflows OpCap

Stage	Procurement Start	Contract Award	80%	Pay Date	Commissioning Start	Commissioning Complete	20%	Pay Date	Check Sums
<b>1</b>									
OJEU Tender	1st February 2019	30th September 2019	£4,837,430.25	31st October 2019	1st October 2019	31st January 2020	£1,209,357.56	28th Feb 2020	£6,046,787.81
UK Tender	1st August 2019	30th November 2019	£8,062,383.74	31st December 2019	1st December 2019	31st January 2020	£2,015,595.94	28th Feb 2020	£10,077,979.68
Quotation	1st December 2019	31st December 2019	£3,224,953.50	31st January 2020	1st January 2020	31st January 2020	£806,238.37	28th Feb 2020	£4,031,191.87
<b>2</b>									<b>£20,155,959.36</b>
OJEU Tender	1st February 2022	30th September 2022	£2,023,771.16	31st October 2022	1st October 2022	31st January 2023	£505,942.79	28th Feb 2023	£2,529,713.94
UK Tender	1st August 2022	30th November 2022	£3,372,951.93	31st December 2022	1st December 2022	31st January 2023	£843,237.98	28th Feb 2023	£4,216,189.91
Quotation	1st December 2022	31st December 2022	£1,349,180.77	31st January 2023	1st January 2023	31st January 2023	£337,295.19	28th Feb 2023	£1,686,475.96
<b>3</b>						<i>Assumed</i>			<b>£8,432,379.82</b>
OJEU Tender	N/A	N/A	N/A	N/A	N/A	30th April 2023	N/A	N/A	
UK Tender	N/A	N/A	N/A	N/A	N/A	30th April 2023	N/A	N/A	
Quotation	1 <sup>st</sup> March 2023	31 <sup>st</sup> March 2023	£9,328.66	30 <sup>th</sup> April 2023	1st April 2023	30th April 2023	£2,332.16	31st May 2023	<b>£11,660.82</b>

Caveats, Limitations, and Exclusions

- 1) This paper does not consider the impact of inflation upon pricing over the implementation period for the 3Ts Programme.

- 2) It should not necessarily be assumed that the ratio of 3Ts Capital to Operational Capital will remain the same, or that sufficient Operational Capital will be available to support, but the paper has considered the totality of the funding requirement based on current assumptions.
- 3) This paper does not consider individual cases where equipment may be procured earlier for operational reasons, or where the 3Ts Programme requires an earlier interface with completion of the construction contract.
- 4) This paper does not consider the level of resource required to undertake procurement work in the run up to 3Ts implementation, or how this will be provided.
- 5) The figures and timelines applied are indicative only, given the length of time remaining before implementation is due to commence.

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