

NHSScotland Directors of Finance

c.c. Strategic Facilities Group  
hub Territory Programme Directors  
NHSScotland Capital Investment Network



11 July 2012

Dear colleagues

## SETTING CAPITAL ELEMENT OF AFFORDABILITY CAPS IN NEW PROJECT REQUESTS FOR HUB PROJECTS

This letter sets out our approach to the establishment of the capital cost element of affordability caps within new projects requests for hub projects within NHSScotland. In presenting proposals to hubCo it is essential that we set clear expectations as to the affordability and deliverability of prospective schemes. To assist in this, a methodology has been developed building on experience in other sectors. Technical guidance is attached which details the process to be followed within new project request process and how affordability caps are to be established having reference to benchmarked costs.

In establishing this methodology I would wish to assure colleagues that the objective of this process is **not** to minimise the level of capital expenditure at the **expense** of building quality or lifecycle costs, but to set an appropriate benchmark based on the level of quality provision that we expect to see delivered across NHSScotland facilities whether through hub or through other delivery routes. Therefore in looking at intelligent benchmarks it is essential that NHS Boards in conjunction with their advisers and hubCos are looking at comparable schemes and analysing elemental cost plans to ensure that we are comparing like with like.

Given the respective responsibilities in funding up front capital and lifecycle cost elements within Unitary payments I would again wish to assure colleagues that the objective of this exercise and more detailed cost planning that will take place at stage 1 and stage 2 will ensure that we have facilities that are fit for purpose, provide the appropriate environment for patients and staff and support an appropriate care environment. Should you have any queries regarding the methodology colleagues should contact Martin Blencowe at Scottish Futures Trust. [martin.blencowe@scottishfuturestrust.org.uk](mailto:martin.blencowe@scottishfuturestrust.org.uk) Tel: 0131 510 0844.

Yours sincerely



**MIKE BAXTER**  
Deputy Director