National Health Service — Capital Planning Newsletter

Date 19 March 2014

Newsletter 14/2

The indices and other information in the National Health Service Capital Planning Newsletter are required in the capital planning procedures that are widely used in the delivery of new and upgraded health buildings. These were originally published in the Department of Health’s (DH) ‘Quarterly Briefing’ issued by the DH Gateway Review, Estates & Facilities Division which ceased publication in 2011 (Volume 19, Number 2) and was replaced by a newsletter developed by the ‘Health Service Index Focus Group’ and published by the Midlands Strategic Health Authority until its abolition in April 2013 (Newsletter 13/1).

BCIS has taken over the publication of the Newsletter to provide the latest indices, location factors and projections for inflation.

Attention is drawn to the following points:

1. The previously used DH MIP’s data is no longer to be used and is replaced by the department of Business Innovation and Skills (BIS) PUBSEC indices - Tender Price Index of Public Sector Non-Housing.

2. All NHS schemes that are submitted for approval must be reported at BIS PUBSEC and schemes awaiting approval that have been previously reported using DH MIP’s and DH Regional Location Factors must be converted to the equivalent BIS PUBSEC level.

3. Consultant quantity surveyors are required to subscribe to BIS Construction Price and Cost Indices Online to gain access to full data noting that future variations to these indices etc. will be notified through this RICS Newsletter which will be issued quarterly and will next be available in June 2014 via:

   http://www.rics.org/uk/knowledge/bcis/about-bcis/construction/national-health-service-capital-planning-newsletter-

4. Attention is drawn towards ensuring the relevance of the PUBSEC index for the NHS and requesting contributions from consultants and contractors commissioned by the NHS. Relevant contract documents, bills of quantities and tender data should be sent to BCIS for indexing. Details are given in Appendix A (BIS PUBSEC Tender Price Indices).

5. Advice is offered in Appendix B (Equipment Indices) for the most appropriate equipment indices.

6. BIS PUBSEC(Regional) Location Factors can be found in Appendix C.

   The recommended BIS PUBSEC reporting level for both Firm Price (FP) and Variation of Price (VoP) projects for current project is 173.

   The conversion factor for MIP’s cost referenced activity is 2.77 i.e. MIP’s 480 (April 2011) divided by BIS PUBSEC 173 (April 2011) = 2.77.
### APPENDIX A (BIS PUBSEC Tender Price Indices)

**Series:** BIS PUBSEC Tender Price Index of Public Sector Building, Non-Housing

**Notes:** Indices are only published where the sample size is at least 4

**Last updated:** 18 March 2014

**Base:** 1995-100

<table>
<thead>
<tr>
<th>Date</th>
<th>Index</th>
<th>Status</th>
<th>Sample</th>
<th>On Year</th>
<th>On Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q2010</td>
<td>163</td>
<td>Firm</td>
<td>53</td>
<td>-8.9%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>2Q2010</td>
<td>168</td>
<td>Firm</td>
<td>36</td>
<td>-2.3%</td>
<td>3.1%</td>
</tr>
<tr>
<td>3Q2010</td>
<td>171</td>
<td>Firm</td>
<td>34</td>
<td>0.6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>4Q2010</td>
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<td>Firm</td>
<td>33</td>
<td>4.2%</td>
<td>0.6%</td>
</tr>
<tr>
<td>1Q2011</td>
<td>174</td>
<td>Firm</td>
<td>29</td>
<td>6.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>2Q2011</td>
<td>175</td>
<td>Firm</td>
<td>28</td>
<td>4.2%</td>
<td>0.6%</td>
</tr>
<tr>
<td>3Q2011</td>
<td>177</td>
<td>Firm</td>
<td>17</td>
<td>3.5%</td>
<td>1.1%</td>
</tr>
<tr>
<td>4Q2011</td>
<td>176</td>
<td>Firm</td>
<td>26</td>
<td>2.3%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>1Q2012</td>
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<td>Firm</td>
<td>26</td>
<td>2.3%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2Q2012</td>
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<td>19</td>
<td>2.9%</td>
<td>1.1%</td>
</tr>
<tr>
<td>3Q2012</td>
<td>181</td>
<td>Firm</td>
<td>18</td>
<td>2.3%</td>
<td>0.6%</td>
</tr>
<tr>
<td>4Q2012</td>
<td>184</td>
<td>Firm</td>
<td>21</td>
<td>4.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td>1Q2013</td>
<td>189</td>
<td>Firm</td>
<td>25</td>
<td>6.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>2Q2013</td>
<td>189</td>
<td>Provisional</td>
<td>19</td>
<td>5.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>3Q2013</td>
<td>186</td>
<td>Provisional</td>
<td>12</td>
<td>2.8%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>4Q2013</td>
<td>184</td>
<td>Provisional</td>
<td>4</td>
<td>0.0%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>1Q2014</td>
<td>184</td>
<td>Forecast</td>
<td>4</td>
<td>-2.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2Q2014</td>
<td>186</td>
<td>Forecast</td>
<td>4</td>
<td>-1.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td>3Q2014</td>
<td>189</td>
<td>Forecast</td>
<td>4</td>
<td>1.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>4Q2014</td>
<td>191</td>
<td>Forecast</td>
<td>4</td>
<td>3.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>1Q2015</td>
<td>191</td>
<td>Forecast</td>
<td>4</td>
<td>3.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2Q2015</td>
<td>194</td>
<td>Forecast</td>
<td>4</td>
<td>4.3%</td>
<td>1.6%</td>
</tr>
<tr>
<td>3Q2015</td>
<td>197</td>
<td>Forecast</td>
<td>4</td>
<td>4.2%</td>
<td>1.5%</td>
</tr>
<tr>
<td>4Q2015</td>
<td>198</td>
<td>Forecast</td>
<td>4</td>
<td>3.7%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
After the latest provisional index, indicative forecasts for the next eight quarters are provided. These indicative indices are based on the BCIS forecast of tender prices. For details of the BCIS five year forecast contact BCIS.

**Provision of Information.**
BCIS calculates these indices on behalf of BIS. The calculation of the PUBSEC Tender Price Indices depends on BCIS receiving information on projects let. Would all users of the indices who are responsible for letting new build works in the public sector, falling within the definition given in the notes on the PUBSEC Tender Price Index above, ensure that pricing documents (Contract Sum Analyses, Target Costs, Bills of Quantities) and other tender information are submitted to BCIS for indexing (see BCIS contact details below.)

**NHS Tender Price Indexing**
The NHS Capital Investment Manual (CIM) requires tenders to be indexed. The PUBSEC index relies on a statistically sound sample of public sector tenders being indexed by BIS and the Department of Health has a long standing agreement with BIS to carry out the indexation of tenders for healthcare schemes though over recent years BIS have reported a considerable drop in the number of healthcare schemes submitted to them for indexing and this may have been due to changes in procurement methods and the continuing re-organisation of NHS bodies. DH Procure 21+ schemes are now included in data collections.

The indexing method compares rates for work in a new project with a base schedule. Whichever procurement methodology may have been followed, a build up of costs using even basic quantities (builder's quantities) should exist to establish the robustness and affordability of the scheme. BCIS collects the data and calculates the PUBSEC Tender Price Index on behalf of BIS.

Therefore, in order to increase the number of healthcare schemes submitted for indexing, all NHS bodies are requested to submit all forms of suitable cost material at the 'tender let' stage to BCIS at the address below noting that all information submitted will be treated in strict confidence, will only be used to generate the indices and will be returned promptly once indexation has taken place.

For further details or to submit suitable cost data, please contact:

Lindsay Pullen  
BCIS: Parliament Square, London, SW1P 3AD  
Email: lpullen@bcis.co.uk Telephone: 020 7695 1513

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**APPENDIX B** (Equipment Indices)

The Equipment Price Index (EPI) was last published in DH Quarterly Briefing Issue 16/4 (Spring 2008) and projections of that index are considered to be unreliable.

The CPI index has been looked at as a possible alternative. However, most of the weightings within the composition of items are not relevant to the cost of NHS equipment and typical hospital schemes may only account for 5% of the total goods within the CPI index. Cost advisors must be aware that each project will have a unique mixture of equipment and the accuracy of any adjustment will depend on how close that unique mixture is to the standard weighting.

In summary of this short study, the cost advisor is offered the opportunity to use the most appropriate equipment index relevant to the individual mix of equipment components within the scheme. If the cost advisor does this, he should also be wary of exchange rates and when dealing with imported equipment, the variable levels of the Pound, Euro and Dollar may be more significant than cost indices.

The following website may be of interest to the cost advisor when selecting a relevant equipment index (CPI indices can be found at website [www.statistics.gov.uk](http://www.statistics.gov.uk)).
Appendix C (BIS PUBSEC Location Factors)

Location Study of PUBSEC Indices
The Location Study is an analysis of all the projects sampled in the most recent 12 quarters and included in the PUBSEC Tender Price Index. The study standardises all indices and sorts them into eight predetermined locations, each given a code. The Location Factors are derived from the Location Study and these factors may be applied to the PUBSEC Index to determine an index adjusted for locality.

<table>
<thead>
<tr>
<th>NHS REGION</th>
<th>LOCATION FACTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>North England</td>
<td>0.92</td>
</tr>
<tr>
<td>Midlands</td>
<td>0.94</td>
</tr>
<tr>
<td>South West England</td>
<td>1.01</td>
</tr>
<tr>
<td>South East England</td>
<td>1.01</td>
</tr>
<tr>
<td>East England</td>
<td>1.06</td>
</tr>
<tr>
<td>London</td>
<td>1.08</td>
</tr>
<tr>
<td>Wales</td>
<td>1.00</td>
</tr>
<tr>
<td>Scotland</td>
<td>0.94</td>
</tr>
</tbody>
</table>

Further details of the Location Factors are available on BCIS Online, BIS Price and Cost Indices Online or from BIS.

Appendix D (Health Service Index Focus Group)

The following members endorsed the alternative means of communicating the new indexation methods and will be retained as a Focus Group for future reference and discussions.

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joe Martin</td>
<td>BCIS Executive Director</td>
</tr>
<tr>
<td>Bob Packham</td>
<td>BCIS (Consultant)</td>
</tr>
<tr>
<td>David Low</td>
<td>Department of Health</td>
</tr>
<tr>
<td>Kerry Ward</td>
<td>Estates Advisor, NHS Property Services</td>
</tr>
<tr>
<td>Robert Nettleton</td>
<td>Estates Advisor, NHS Property Services</td>
</tr>
<tr>
<td>David Meatyard</td>
<td>NHS Wales Shared Services - Facilities Services</td>
</tr>
<tr>
<td>Frank Wintle</td>
<td>Gleeds</td>
</tr>
<tr>
<td>John Cooper</td>
<td>Holbrow Brookes</td>
</tr>
<tr>
<td>Phil Smith</td>
<td>Senior Estates Manager (Project Appraisal Unit) NHS England</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>APSAB</td>
<td>The average PSA Building Cost Index is superseded by NOCOS. This is a single index representing the movement of the relevant Formula Variation of Price Indices weighted together for Building Non-Housing.</td>
</tr>
<tr>
<td>BIS</td>
<td>The Department for Business, Innovation and Skills. This is the Construction Market Intelligence Unit of BIS that is responsible for the Public Sector Price and Cost Indices. <a href="http://www.gov.uk/government/organisation/departments/bis/offices/consultation-statistics">www.gov.uk/government/organisation/departments/bis/offices/consultation-statistics</a></td>
</tr>
<tr>
<td>BCIS</td>
<td>Building Cost Information Service which is a part of the Royal Institution of Chartered Surveyors. BCIS is contracted to BIS to produce and publish the Public Sector Price and Cost Indices. See BCIS <a href="http://www.rics.org/nhs_bis">www.rics.org/nhs_bis</a> for full details.</td>
</tr>
<tr>
<td>BCIS Online</td>
<td>The web portal through which all the BCIS and BIS indices are published. There are various subscription options to the different parts of this service. <a href="http://service.bcis.co.uk">http://service.bcis.co.uk</a></td>
</tr>
<tr>
<td>DH</td>
<td>Department of Health.</td>
</tr>
<tr>
<td>FORVOP</td>
<td>Forecasted Variation of Price Index. This is a projection of the NOCOS Index over the next eight years.</td>
</tr>
<tr>
<td>FP</td>
<td>Firm Price</td>
</tr>
<tr>
<td>MIPS</td>
<td>Median Index of Public Sector Tender Prices (ceased 2011)</td>
</tr>
<tr>
<td>NOCOS</td>
<td>Resource Cost Index for Building Non-Housing.</td>
</tr>
<tr>
<td>PAU</td>
<td>Project Appraisal Unit - The NHS England National Project Appraisal Team has an oversight and advisory role in relation to both capital and revenue business case approvals by NHS England.</td>
</tr>
<tr>
<td>Procure 21+</td>
<td>The Procure 21+ National Framework is a DH framework agreement with six Supply Chains (PSCPs) selected via an OJEU Tender. <a href="http://www.procure21plus.nhs.uk/">http://www.procure21plus.nhs.uk/</a></td>
</tr>
<tr>
<td>PUBSEC</td>
<td>Tender Price Index of Public Sector Building Non-Housing based at 1995 = 100. This should not be confused with, and is not necessarily the same as, the 'BCIS Public Sector TPI'.</td>
</tr>
<tr>
<td>VOP</td>
<td>Variation of Price.</td>
</tr>
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</table>