

# National Health Service — Capital Planning Newsletter

Date 21 December 2018

## Newsletter 19/1

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 took over the publication of the Newsletter in 2013 to provide the latest indices, location factors and projections for inflation. From March 2015 the indices and location factors will only be available to subscribers to the BCIS Public Sector Price and Cost Indices online service.

Attention is drawn to the following points:

- 1 The calculation of PUBSEC was changed in June 2018 see Appendix A.
- 2 A new PUBSEC reporting level of 195 was agreed by the Department of Health from March 2015. It has been agreed to increase the reporting level to 250 from April 2019.
- 3 The Department for Business Innovation and Skills (BIS) stopped the publication of Resource Cost Indices and Tender Price Indices, including PUBSEC (Tender Price Index of Public Sector Building Non-Housing) in September 2014. However BCIS will continue to produce and publish a PUBSEC continuation series calculated using the same methodology as the existing index. We will retain the familiar title but it will no longer be an Official Statistic.

BCIS will fund the production of PUBSEC, which together with continuation series for the resource cost indices will be published in the BCIS Public Sector Price and Cost Indices Online service. (Formerly BIS Price and Cost Indices Online service.)

BCIS will continue to produce and publish the NHS Newsletter but the PUBSEC Tender Price Index (Appendix A) and the Location Study (Appendix C) will only be available via an embedded link to the online service. Users will be able to access the figures if they have a subscription. Details of the service are available at: <http://www.rics.org/uk/knowledge/bcis/online-products/bis/>

Many recipients already subscribe, if you are unsure contact Sam Moore ([smoore@rics.org](mailto:smoore@rics.org)).

If you redistribute the Newsletter to other organisations please supply details. Contact Marianne Chowdhury (email: [mchowdhury@bcis.co.uk](mailto:mchowdhury@bcis.co.uk)).

- 4 Department of Health advocate the continued use of PUBSEC for reporting schemes for approval. All NHS schemes that are submitted for approval must be reported at the agreed PUBSEC reporting level. It is now included in 1 above.
- 5 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** (PUBSEC Tender Price Indices).
- 6 Advice is offered in **Appendix B** (Equipment Indices) for the most appropriate equipment indices.
- 7 Details on the PUBSEC (Regional) Location Factors can be found in **Appendix C**.

The recommended PUBSEC reporting level for both Firm Price (FP) and Variation of Price (VoP) projects for current project is 195.

Any comments on this should be sent to [prumble@bcis.co.uk](mailto:prumble@bcis.co.uk).

## ● APPENDIX A (PUBSEC Tender Price Indices)

In 2017 PUBSEC showed erratic results and is very different from other BCIS Tender Price Indices (TPI).

Although it is based on the same project indices, the calculation method for PUBSEC is different from the BCIS TPI:

- PUBSEC includes public sector non-housing projects only.
- PUBSEC excludes Northern Ireland and offshore islands.
- The project indices are normalised in different ways.
- PUBSEC uses a median to calculate the quarterly index while BCIS uses a geometric mean.
- PUBSEC is smoothed (25% previous quarter, 50% current quarter, 25% next quarter); the BCIS TPI forecast is used to estimate the smoothing for the latest quarter while the BCIS TPI is not smoothed.
- PUBSEC is updated quarterly while the BCIS TPI is updated fortnightly.

The indices are based on a declining sample of projects analysed for 2017. The BCIS Tender Price Index indicates a significant increase in prices of 14% (4Q16-4Q17). Based on a subset of the same data, PUBSEC has risen by 22% over the same period. However, the individual project indices do not indicate there should be such a difference.

It seems that there are insufficient projects to make the PUBSEC calculation method reliably reflect the underlying project indices.

BCIS has produced a new series called 'Extension of PUBSEC Tender Price Index of Public Sector Building Non-Housing' which is a smoothed version of the BCIS All-In TPI for 2017 onwards.

Comparing the original PUBSEC and Extension of PUBSEC indices:

- Similarities:
  - both are smoothed (25% previous quarter, 50% current quarter, 25% next quarter).
  - both are updated quarterly.
- Differences:
  - the extension series includes private sector and public housing projects.
  - the extension series includes Northern Ireland and offshore islands.
  - the series are normalised in different ways.
  - the extension series use the geometric mean of project indices while the original series used the median.

BCIS recommends that the series 'Extension of PUBSEC Tender Price Index of Public Sector Building Non-Housing' is used in place of 'PUBSEC Tender Price Index of Public Sector Building Non-Housing' where the index is written into procedures or contracts. However, users should consider whether the BCIS All-in TPI would be more appropriate in future or for other applications.

The NHS capital planning procedures require the use of the PUBSEC index which was formerly published by BIS but is now calculated and published by BCIS. Subscribers to the service can access the current NHS Newsletter indices by following the link below.

<http://service.bcis.co.uk/BCISOnline/directlink/notValidated/Indices/DmsContent/2709/>

### Revisions Policy

The quarterly PUBSEC Tender Price Index is first published as a forecast seven quarters ahead of the publication quarter and it becomes provisional the quarter prior to the publication quarter. The first provisional index will be based on a small sample and the index is likely to change over the next two quarters as additional project indices become available, but the index continues to be held provisional normally for three quarters, after which it is published as a firm index. The index value may change as the index becomes firm, but changes will normally be small as the sample is unlikely to have increased and any change is likely to come from the subsequent quarter as a result of the smoothing process.

The forecast figures are based on the BCIS forecast of tender prices. For details of the BCIS five year forecast contact BCIS.

### Provision of Information.

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 BCIS and the Department of Health had a long standing agreement to carry out the indexing of tenders for healthcare schemes though over recent years there has been a considerable drop in the number of healthcare schemes submitted 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.

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' (commit to construct) 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 indexing has taken place.

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

### Marianne Chowdhury

BCIS: Parliament Square, London. SW1P 3AD

Email: [mchowdhury@bcis.co.uk](mailto:mchowdhury@bcis.co.uk) Telephone: 020 7695 1532

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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 <https://www.gov.uk/government/statistics/announcements>).

- **APPENDIX C (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.

Subscribers to the service can access the current NHS Newsletter regional indices by following the link below.

<http://service.bcis.co.uk/BCISOnline/directlink/notValidated/Indices/DmsContent/2709/>

- **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.

Name	Organisation
Joe Martin	BCIS Executive Director
David Low	Department of Health
Robert Nettleton	Estates Advisor, NHS Property Services
David Meatyard	NHS Wales Shared Services - Specialist Estates Services
Frank Wintle	Gleeds
John Cooper	Holbrow Brookes
Phil Smith	Senior Estates Manager (Project Appraisal Unit) NHS England

• Appendix E Glossary

<b>APSAB</b>	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.
<b>BCIS</b>	Building Cost Information Service which is a part of the Royal Institution of Chartered Surveyors.
<b>BCIS Online</b>	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>
<b>BCIS PSPCI</b>	BCIS Public Sector Price and Cost Indices online service contains the series of Resource Cost Indices and some of the Tender Price Indices previously produced by BIS. The service will also contain the new ONS Input Cost Indices and Output Price Indices when they become available. <a href="http://www.rics.org/uk/knowledge/bcis/online-products/bis/">http://www.rics.org/uk/knowledge/bcis/online-products/bis/</a>
<b>CIM</b>	NHS Capital Investment Manual <a href="http://webarchive.nationalarchives.gov.uk/+www.dh.gov.uk/en/Aboutus/Procurementandproposals/Publicprivatepartnership/Privatefinanceinitiative/InvestmentGuidanceRouteMap/DH_4133176">http://webarchive.nationalarchives.gov.uk/+www.dh.gov.uk/en/Aboutus/Procurementandproposals/Publicprivatepartnership/Privatefinanceinitiative/InvestmentGuidanceRouteMap/DH_4133176</a>
<b>DH</b>	Department of Health.
<b>FORVOP</b>	Forecasted Variation of Price Index. This is a projection of the <b>NOCOS</b> Index over the next eight years.
<b>FP</b>	Firm Price
<b>MIPS</b>	Median Index of Public Sector Tender Prices (ceased 2011)
<b>NHSI</b>	National Health Service Improvement
<b>NOCOS</b>	Resource Cost Index for Building Non-Housing.
<b>PAU</b>	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.
<b>Procure 21+</b>	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>
<b>PUBSEC</b>	Tender Price Index of Public Sector Building Non-Housing based at 1995 = 100. From December 2014 this index has been calculated by BCIS and is not an Official Statistic. PUBSEC should not be confused with, and is not necessarily the same as, the 'BCIS Public Sector TPI'. From 1Q17 BCIS has produced a new series called 'Extension of PUBSEC Tender Price Index of Public Sector Building Non-Housing' which is a smoothed version of the BCIS All-in TPI for 2017 onwards.
<b>VOP</b>	Variation of Price.