

Option Appraisal Processes

The purpose of this paper is to set out a process for appraising the shortlisted options including:

- Describing the options for consideration in the non-financial appraisal;
- Considering the membership required on a non-financial appraisal panel; and
- Setting out the process for combining non-financial and financial appraisal outcomes.

Programme Board is asked to review the proposals below and to determine the approach to be taken so that work can begin immediately in line with the Programme's critical path. The appraisal is scheduled for May-June 2015, with the intention of identifying a preferred option in July 2015.

1. Appraisal Criteria and Measures

Programme Board agreed a set of five evaluation criteria for selecting the shortlist. These were derived from key programme benefits, and informed by pre-consultation engagement with the public.

There is an important rationale for continuing to use the same high-level criteria for the next stage appraisal, not least so that the Programme can demonstrate a consistency of approach through subsequent stages. Any material change in criteria may raise questions about the validity of the shortlisting process.

• **Financial Appraisal**

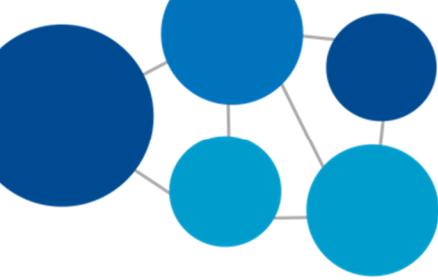
The affordability criterion will now be subsumed into the financial appraisal by the Technical Team. This will cover both capital and revenue costs, and will be summarised in terms of -

- Net Present Cost (NPC) - the total future costs of the project over a number of years expressed in terms of today's prices,
- Equivalent Annual Cost (EAC) - the average annual impact at today's prices.

The appraisal will need to address a minimum period of 30 years (ideally 60 years) to meet Treasury guidance. Costs for both periods could be reported as a sensitivity check.

• **Non-financial Appraisal**

The remaining criteria – accessibility, quality, workforce and deliverability – would provide the framework for this appraisal.



Full descriptions of the options will again be developed, as for the shortlisting process. Whilst these descriptions would address the measures previously agreed, fuller detail will be included where this has become available as a result of the further development of options.

In reviewing the shortlisting process, some comments were received about the amount of information supplied to panel members. Whilst this was mitigated to some degree by breaking the information down into 3 tiers, option descriptions could be made much more focused and accessible. It is proposed to do this by focusing on the differential impact of each option as compared with the Do Minimum. This would avoid simply setting out large amounts of data for panel members to navigate and interpret themselves.

Accessibility

Descriptions would focus on the access impact of the activity that is displaced when compared with the Do Minimum. It would set out how many people would be affected; the areas affected; where people are displaced to; and by how much their travel times would increase. For example, options with EC on an existing site would see c.23% current A&E attenders displaced but c.77% unaffected.

Quality

The main factors impacting quality are the consolidation of services, and whether EC and DTC are co-located or on separate sites. The latter also applies to Obstetric variants. The extent of new or significantly refurbished facilities, and the physical disposition of services within each site, might also be considered to have an impact on both patient and staff experience.

Information in support of these factors is being sought from SaTH clinicians, as it was for the shortlisting process. Descriptions can also reference the Case for Change and the Outcome Ambitions.

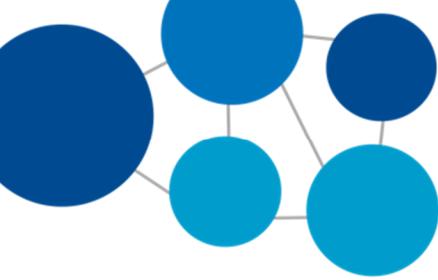
Workforce

Most of the factors impacting quality likewise impact workforce considerations (e.g. the consolidation/colocation of services).

Again, key inputs would be the Case for Change (with further detail provided by SaTH) and the Outcome Ambitions.

Deliverability

Key sources of information here would be from the work of the Technical Team. This would enable consideration to be given to matters such as timescale for delivery, disruption to services arising from construction and related service moves, future proofing and capital funding issues (e.g. PF2).



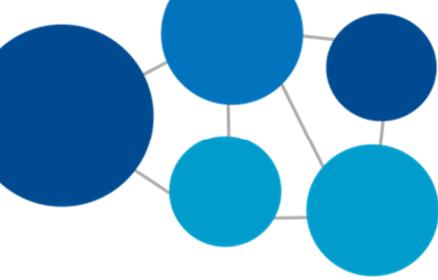
2. Non-financial Appraisal Panel

Programme Board established an Evaluation panel to conduct longlisting and shortlisting processes. A decision now needs to be taken on the constitution of the panel which will undertake the non-financial appraisal of shortlisted options. The Core Group has asked for consideration to be given to a larger body enabling a wider and more balanced representation, especially from clinicians (nurses, doctors, therapists, etc.).

The simplest way to do this would be to maintain the existing approach of seeking nominations for Programme Board sponsor and stakeholder organisations (except those conflicted by a subsequent scrutiny or assurance role). However, instead of a single member from each organisation, the following distribution is proposed. This responds to the guidance of the Core Group, prioritises sponsor over stakeholder members, and also recognises that, given the focus of the appraisal is exclusively on acute options, there is a rationale for having an increased representation from SaTH:

	SPONSOR/STAKEHOLDER MEMBERS	REPRESENTATION
1.	Shropshire Clinical Commissioning Group	2 clinicians, 1 manager
2.	Telford & Wrekin Clinical Commissioning Group	2 clinicians, 1 manager
3.	Powys Teaching Health Board	2 clinicians, 1 manager
4.	Shrewsbury and Telford Hospital NHS Trust	8 clinicians, 4 managers
5.	Shropshire Community Health NHS Trust	2 clinicians, 1 manager
6.	Shropshire Patient Group	3 patients
7.	Telford & Wrekin Health Round Table	3 patients
8.	Healthwatch Shropshire	3 patients
9.	Healthwatch Telford & Wrekin	3 patients
10.	Powys Patients (via PtHB)	3 patients
11.	Powys Council	1 social care
12.	Shropshire Council	1 social care 1 public health
13.	Telford and Wrekin Council	1 social care 1 public health
14.	West Midlands Ambulance Service NHS FT	1 clinician
15.	Welsh Ambulance Services NHS Trust	1 clinician
16.	Robert Jones & Agnes Hunt Hospital NHS FT	1 clinician
17.	South Staffs & Shropshire Healthcare NHS FT	1 clinician
18.	LMC/GP Federation	1 clinician
19.	Shropshire Doctors' Cooperative Ltd	1 clinician
20.	NHS England	1 commissioner

This would create an appraisal panel of 51 members, of whom 31 (58%) would be health or social care professionals, 13 (25%) would be patients and 9 (17%) would be commissioners/managers.



3. Combining Outputs of Financial and Non-Financial Appraisals

Once the financial and non-financial appraisals are complete, the Programme Team (supported by the Technical Team) will need to combine the results in an overall economic or value-for money appraisal.

There are a number of standard methodologies recommended by HM Treasury which can be used at that stage, alone or in combination. Commonly used approaches include:

i) Agreeing a weighting between financial and non-financial scores

A non-financial score for each option is derived from the weighted total of the score for each non-financial criterion, giving a maximum of 100 'benefit points'. A financial score is derived from awarding 100 points to the option with the lowest NPC. More costly options are awarded points in inverse proportion to this.

The two scores for each option are then combined, and the impact of different financial and non-financial weightings can be tested.

ii) Calculating the cost of each non-financial benefit point

Here, the NPC is converted into an EAC for each option, and a cost per benefit point is calculated. The option with the lowest cost per benefit point would be the preferred option.

iii) Marginal cost-benefit analysis

In some circumstances it can be helpful to decision-making to set out the differential costs between options alongside the additional benefits that higher cost options may offer.

It is proposed that the Programme Team (supported by the Technical Team) should undertake the economic appraisal of options in line with Treasury guidance and make a report to Board which draws on the methodologies above.

The results of the economic appraisal would then be presented to the Board with a recommendation from the Core Group.

4. Recommendations

The Programme Board is asked to determine the following matters so that work can immediately proceed:

- i) To endorse the proposed approach to describing options for appraisal; and
- ii) To confirm the approach to constituting the non-financial appraisal panel; and
- iii) To note the process for combining financial and non-financial appraisals.