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ProCure22 (P22) High Level Requirements

For the OJEU tender of the P22 National Framework Agreement 2015

Draft Only subject to Invitation to Tender - V0.1

Department of Health

Construction Procurement Team

Finance, Commercial and NHS Directorate



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Authorisation

Ben Masterson

SRO

Date



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1. Document Objectives

This document has been structured to provide:

- A background to the proposed P22 Framework;
- An outline of the high-level requirement capture process; and
- The high-level overview of the P22 Framework Requirements

This version of the High Level Requirements represents the draft issue to support the Industry and NHS consultation events and is subject to change. The final version will inform the Framework tender process and Invitation to Tender. This document has been created as a high level summary of the ITT requirements as they stand at date of issue. The High Level Requirements are a fair and representative picture of the structure of the P22 Framework and is intended to support the tender process. However, this draft High Level Requirements document is neither aimed as nor should be relied on as a substitute of the final ITT, which contains the full requirements of the Authority including the contract specifications at the date of issue of the ITT.

No responses are required to this document directly. Further details of responses evaluation and scoring methodology will be issued with the Pre-Qualification Questionnaire (PQQ) and Invitation to Tender (ITT).



2. Executive Summary

The new Framework, identified as ProcCure22, (P22) builds on the benefits and successes that the existing ProCure21+ Framework has delivered over the past 5 years.

This draft High Level Requirements for P22 provides an overview of the information and behaviours that are to be evaluated during the forthcoming procurement, and the Requirements that need to be met by those organisations that are appointed to the Framework. The main audience for the Requirements are the potential clients of, and potential suppliers to the P22 Framework. This draft High Level Requirements document is neither aimed as nor should be relied on as a substitute of the final ITT, which contains the full requirements of the Authority including the contract specifications, at the date of issue of the ITT.

This draft High Level Requirements document is organised into 5 categories that set out the criteria by which potential Principal Supply Chain partners (PSCPs) will be evaluated:

Contractual	The form of contracts that will be used under P22 with key provisions and specific conditions of contract. How the PSCPs will contract with their supply-chain and their Health clients. Specific roles that are to be performed by the supply-chain.
Operational	Demonstration of supplier capacity and capability. Regulatory, quality, security and health and safety requirements. Supply Chain Management. Innovation, Standardisation and BIM.
System	Use of IT and data standards. Processes that support relationships, reporting and evaluation. Training requirements.
Commercial	The commercial structure that supports scheme costing, payment and VAT recovery. The PSCP call off procedure from the Framework. Activities required to support the achievement of VFM and cost reduction. Ability to facilitate the accessing of alternative funding.
Assurance	Framework governance, management and development. The governance and assurance for schemes. Performance Management Plan. Submission of KPI information and other information.



3. Background

Following the Egan report in 1998, the public sector recognised that significant benefits could be realised through closer partnerships between the commissioners and the suppliers of construction services.

Building on the report, the Department of Health developed a Framework to streamline the procurement process and create an environment in which NHS clients and construction firms could develop stronger partnerships to drive increased efficiency and productivity in the way in which healthcare providers deliver investments in their estate and enhance clinical outputs.

The resulting Framework (ProCure21 (P21+)) was let in October 2003 and expired following a two-year extension, in September 2010. The Framework was re-let and P21+ commenced in October 2010 and is due to expire in September 2016. Time, cost and quality performance was vastly improved in NHS Construction through the use of both frameworks. £4.5bn was registered with the ProCure21 framework and £4.2bn with ProCure21+. Further details of the Procure21+ framework can be found at <http://www.procure21plus.nhs.uk/about/>

The Government Construction Strategy was published by the Cabinet Office Efficiency Reform Group in May 2011. The strategy recognises the contribution made by the construction industry to the UK economy circa 7% of UK GDP, and that the UK Government as its biggest customer. 40% of the £110bn annual turnover of the Construction Industry comes from the public sector. However, there is some acknowledgement that the public sector doesn't always get the best deal.

P21+ is compliant with the strategy and has been working with the Cabinet Office to deliver 15% cost savings. This was achieved in 2015. P22 will largely be based on ProCure21+ and will adopt the principles of the Government Construction Strategy 2010 and 2015-20 Specific requirements; including:

- Delivery of Cost Efficiency Savings substantiated by Benchmarking Costs;
- Collaborative working through Building Information Modelling;
- Standardisation;
- Fair payment practices;
- Government Soft Landings;



- DH Efficiency and Productivity Targets.

Irrespective of any Central Government requirement to deliver savings, P22 will require savings targets to be identified and all projects and cost will be benchmarked.

Using the P22 framework will enable Health Clients to comply with Government requirements for public sector construction. It will facilitate access to integrated supply-chains that have been through an OJEU tender process and performance managed by the Department of Health. Health Clients will be able to call off from the framework through a mini-competition without having to OJEU tender themselves saving up to 9 months and associated tendering costs and risk.

The Department of Health will own, manage and administer the P22 framework. It will provide the guidance contract templates, tools, training and implementation support for Health Clients. It will performance manage the PSCPs and seek assurance for Health Clients.

4. Summary of previous ProCure21/P21+ frameworks

ProCure21 (2003-2010)

Schemes Registered: 638

Schemes Completed: 632

PSCPs: Interserve, Kier Health, MedicinQ, Integrated Health Projects, Laing O'Rourke, BAM, Balfour Beatty, Costain

ProCure21+ (2010 – 2016)

Schemes Registered: 308 (current "active" schemes only)

Projects Completed: 158

PSCPs: Kier Health, Interserve, Integrated Health Projects, Balfour Beatty, Galliford Try HPS, Willmott Dixon.

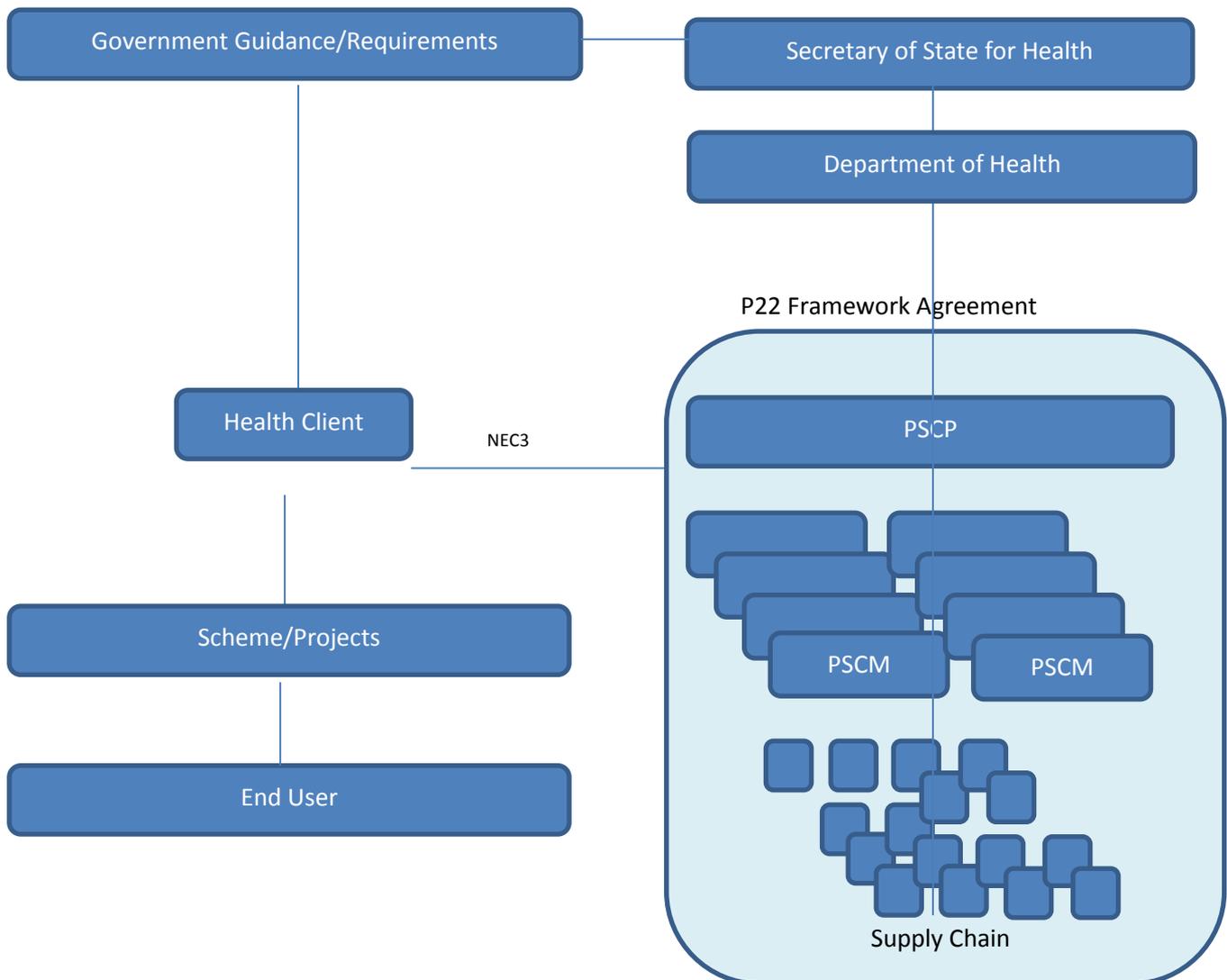


KPIs		Client Satisfaction – Product	Client Satisfaction - Service	Defects	Safety	Predictability Cost (GMP)	Predictability Time
Measure		Average % out of 100	Average % out of 100	Average % out of 100	% achieving zero accident incident rate	% to budget or below	% on time or early
Year on Year Performance	2004	86%	80%	84%	86%	100%	88%
	2005	85%	81%	79%	71%	97%	91%
	2006	87%	83%	82%	86%	94%	89%
	2007	84%	79%	79%	84%	93%	84%
	2008	85%	78%	77%	85%	97%	97%
	2009	85%	81%	81%	98%	98%	95%
	2010	86%	82%	85%	89%	97%	96%
	2011	88%	83%	84%	99%	95%	93%
	2012	85%	83%	83%	84%	100%	84%
	2013	86%	84%	85%	96%	100%	83%
	2014	89%	88%	83%	94%	100%	92%



5. Key Objectives of P22

The P22 Framework will build on the benefits and successes that the P21+ Framework has delivered over the past 5 years while satisfying the core objective of delivering Value for Money in healthcare capital projects. Each PSCP will sign a Framework agreement with the Secretary of State for Health (SoSH) on behalf of the Department of Health but will enter scheme and project level contracts with Health Clients directly in accordance with the call off procedure set out in the Framework Agreement.



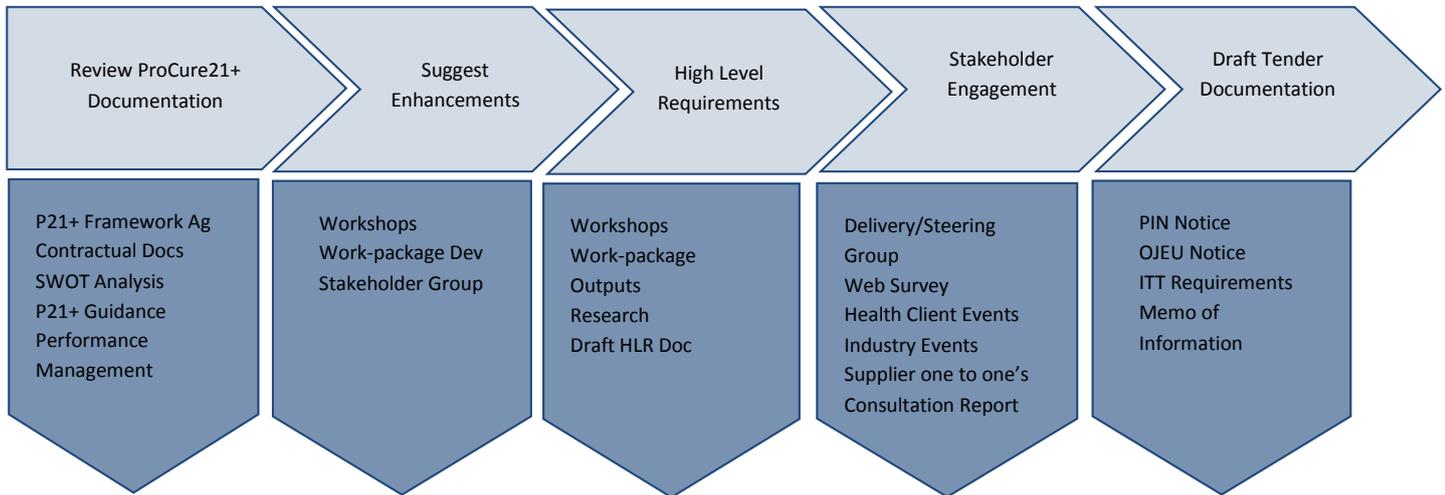


The following are key objectives for the P22 framework.

- Provision of access for Health Clients to pre-tendered and approved integrated supply-chains that provide complete capital construction and refurbishment services, and thereby reduce tendering periods and associated costs and risks.
- Provide an environment, through the National Framework Agreement and NEC3 based project level contract, for Health Clients to partner with supply-chains in a collaborative manner, maximising value for genuine mutual benefit.
- The achievement of cost efficiencies for all projects.
- Encouragement of long-term relationships based on continuously improving performance.
- Provision of accountability for performance and open book practices in the supply-chain.
- Measurement of clinical and business outcomes for Health Clients.
- Encouragement of active supply-chain management to drive efficiency and innovation for the benefit of Health Clients.
- The provision of high quality framework infrastructure to support the adoption of the framework for Health and Social Care Clients.
- The development of standardised solutions that represent Value For Money options for Health Clients.
- The facilitation of Building Information Management (BIM) and Government Soft Landings (GSL).
- Explore the possibility of access to facilities management services via the PSCPs and their Supply Chains.
- Explore the possibility of enabling exchange of assets/land as part of funding projects to deliver long term income streams for Health Clients.
- Exploring opportunities for Enabling PSCPs to be active participants in Joint Ventures, Strategic Estates Partnerships, other organisations established with/by Health Clients in respect of the delivery of strategic planning, design, construction and facilities management

5.1 Requirements Development and Consultation Overview

This High Level Requirements document was developed by the Construction Procurement Team in the Finance Commercial and NHS Directorate in the Department of Health. . The following diagram summarises the development of the requirements process.



The DH undertook a full consultation of these requirements with Key Stakeholders. This was primarily through the following sources:

- Web Survey (210 Responses) conducted in March 2015;
- 3x Health Client Consultation Events scheduled for December 2015 and January 2016;
- Industry Day scheduled for 7 December 2015;
- Supplier 121s;

5.2 Contributors

The following stakeholders have had direct input into these high level requirements

- Department of Health (Construction Procurement Team and Solicitors)
- Cabinet Office
- NHS Organisations (NHS England, Trusts, CCGs)
- Construction Industry Suppliers



5.3 Inputs

The development of these High Level Requirements has consulted a wide range of sources including but not limited to;

- Documentation from the existing P21+ Framework;
- Proposed enhancements from stakeholders;
- Construction Best Practice from the Public and Private Sector;
- Stakeholder meetings and workshops.

5.4 Document Structure and Definitions

This High Level Requirements document has been produced to demonstrate the high level scope, the procurement process being followed including the criteria against which applicants are assessed against and conditions and obligations of framework membership. It is expected to be of interest to 2 key groups of stakeholders; potential health clients and suppliers at all levels of the Construction Industry. This draft High Level Requirements document is neither aimed as nor should be relied on as a substitute of the final ITT, which contains the full requirements of the Authority including the contract specifications, at the date of issue of the ITT.

This draft High Level Requirement statements are split into 5 categories against which PSCP responses will be assessed. These categories will follow through the procurement and evaluation process.

Contractual (CO)	The form of contracts that will be used under P22 with key provisions and specific conditions of contract. How the PSCPs will contract with their supply-chain and their health clients. Specific roles that are to be performed by the supply-chain.
Operational (OP)	Demonstration of supplier capacity and capability. Regulatory, quality, security and health and safety requirements. Supply Chain Management. Innovation, Standardisation and BIM.
System (SY)	Use of IT and data standards. Processes that support relationships, reporting and evaluation. Training requirements.
Commercial (COM)	The commercial structure that supports scheme costing, payment and VAT recovery. The PSCP call off procedure from the Framework. Activities required to support the achievement of VFM and cost reduction.



	Ability to facilitate the accessing of alternative funding.
Assurance (AS)	Framework governance, management and development. The governance and assurance for schemes. Performance Management Plan. Submission of KPI information and other information.

5.5 Responses

PSCPs will be selected based on an evaluation, against established and published criteria, of their responses to requests for information set out in the P22 tender documentation. This evaluation process is being developed in accordance with the Public Contract Regulations 2015 and will set out the evaluation criteria and weightings for appointment to the Framework in addition to the ongoing Requirements of Framework membership.

No responses are required to this document directly. Further details of evaluation and scoring methodology will be issued with the Pre-Qualification Questionnaire (PQQ) and Invitation to Tender (ITT).

5.6 Classification

The Requirements are classified, to support the evaluation of tenders, according to the following:

- **Gateway:** Minimum acceptable levels to be demonstrated when evaluated against the criteria. Responses are assessed on a Pass / Fail basis. A candidate organisation that is evaluated to have achieved a fail is automatically excluded from the rest of the procurement process;
- **Evaluation:** Candidate organisations demonstrate how they have satisfied (with evidence) or will satisfy (proposals) these Requirements. Responses will be evaluated against a pre-defined set of criteria. Responses to these Requirements forms the basis of differential scoring between candidate organisations; and
- **Information:** Candidate organisations are required to explicitly accept these conditions as a pre-requisite for appointment to the Framework. Refusal to adhere to these conditions precludes acceptance to the P22 Framework.



Timescales

Activity	Proposed Deadline
PIN Notice Submitted	17/11/2015
Industry Consultation Day	07/12/2015
NHS Stakeholder Consultation Days	14/12/2015
	16/12/2015
	11/01/2016
OJEU Contract Notice Submitted	18/01/2016
Publish on Contract Finder	21/01/2016
Open PQQ	07/03/2016
Start PQQ Evaluation	08/03/2016
Finalise PQQ Evaluation	31/03/2016
Issue Invitation to Tender	01/04/2016
Invitation to Tender Close	12/05/2016
Start ITT Evaluation	13/05/2016
Finalise ITT Evaluation	22/06/2016
Notification of intention to award	24/06/2016
Award Notice submitted	07/07/2016

Framework Structure and Lots

In order to facilitate collaborative working amongst the PSCPs to develop standardised and efficient approaches, **the framework will not use lots but will be a single national framework.** It is envisaged the broad range of potential project types will be serviced by a diverse PSCPs supply chain including small and medium sized enterprises. Exclusivity provisions by PSCPs with supply chain members are not permitted and supply chains members can change as the P22 Framework progresses to reflect issues such as location, nature of work, new materials or construction methods, performance etc.

Supply chain members will also be expected to play an active role in the development, promotion and implementation of the repeatable rooms and standard components programme.



6. Contractual (CO)

CO 6.1: Introduction

PSCPs on the P22 Framework will manage flexible, established, integrated supply chains to deliver high quality construction schemes in partnership with Health Clients.

PSCPs are required to uphold the principles and processes of P22 in all engagements with clients and suppliers through the Framework. A pre-requisite to appointment to the P22 Framework is the explicit agreement to the terms set out in the Framework Agreement and call off terms.

CO 6.2: Specific Conditions of the P22 Framework Agreement

PSCPs will agree to the P22 National Framework Agreement and associated appendices prior to taking part in any scheme selection process under the P22 Framework.

P22 will use the NEC3 Option C (Apr 2013) form of contract as a mandated standard, with identified variations for Major Works contracts. P22 will operate NEC Option C with identified variations for all Minor Works contracts. The DH Contract NEC3 P22 Contract Template(s) will form the basis of the agreement between the Health Client, the PSCP and their supply-chain. PSCPs need to demonstrate:

- How the NEC3 Option C is to be used between the PSCP and the Health Client;
- How the NEC3 suite of contracts is to be used through the supply chain; including Option D for key sub contract work packages) and
- How assurance for the effective and proper use of the NEC3 form of contract is to be provided.

When using the prescribed DH NEC3 Contract Templates, any and all variations, including amendments to clauses, are to be clearly identified to the client as soon as practical and before legal agreement. PSCPs are required to gain agreement from the P22 team for all amendments to the standard contract documents before legal agreement with the Health Client.

PSCPs are responsible for adherence to a number of specific conditions that provide protection and assurance for the client and the PSCP itself. The conditions include, but are not limited to:



- Acceptance of the terms of the P22 National Framework Agreement and associated guidance;
- The registration of all P22 schemes and projects with the Department of Health;
- The provision of a minimum insurance cover for all schemes. Extensions to this minimum and / or special provisions to be agreed with clients and provided as an additional cost in the GMP;
- The use of centrally provided guidance, risk management systems, processes and documentation by PSCPs and their supply chains;
- Compliance with anti-competition legislation and guidance; and
- The receipt of approvals from the P22 team for Public Relations and marketing materials prior to publication.
- The acceptance of Fair Payment guidance

CO 6.3: Client Access

Organisations that are permitted to use the framework will be determined by the OJEU notice upon issue. The P22 framework will be available to all Organisations and Joint-Ventures that are undertaking health schemes/projects, including but not limited to, Department of Health, NHS Property Services, Government Departments, NHS Organisations, Social Care Providers, Health Education and Research and, Local Authorities(in respect of Health and Social Care related schemes/projects) . P22 will be available to Joint Ventures, as long as the proposed scheme/project includes a 'health and/or social Care'.

In addition those organisations such as Special Purpose Vehicles, Strategic Estates Partnerships or other equivalents providing and operating healthcare facilities on behalf of Health Clients e.g. PFI Hospitals can utilise the P22 Framework if the Health Clients and their Partner agree.

CO 6.4: Key Provisions of the P22 NEC3 Contract Template

PSCPs are to agree the works and associated costs directly with the Health Client within the boundaries of the Framework processes and procedures. This will include, but may not be limited to:

- Agreement of a GMP for all projects, in line with costing guidance to provide cost assurance for delivery of a given scope of works as defined by the P22 NEC3 Contract Template;



- Agreement that PSCPs work with clients and cost advisors to challenge costs and that robust advice and market information is collected and analysed to align costs to current market conditions (this is not required here);
- Agreement that any reduction in GMP is to be shared equally between the PSCP and the client up in accordance with the P22 NEC Contract Template¹;
- Agreement that any post GMP agreement cost reductions that are not caused by a change of scope or innovation are returned to the client 100%.
- The requirement for PSCPs to submit evidence of completed and signed P22 contract documentation prior to the commencement of chargeable work(s).

As PSCPs are carrying out a public function on behalf of a public authority they are required to demonstrate that all activities undertaken under P22 by the PSCP, or members of its supply chain, fully comply with equality, anti-discrimination and human rights legislation.

CO 6.5: Contract Assurance

PSCPs are required to provide evidence based proposals detailing how contractual completions will be delivered under P22. This is to include, but not be limited to:

- Defect free works (this includes no snagging lists) at handover with zero retention and a 2 year Defects Period to be to be provided on all P22 schemes;
- Provision of a Client After-Care contact for all projects, before completion, and for the Defects Period.
- Agreement to the handover of all required documentation, data under GSL requirements, BIM Data, and CDM (Construction Design & Management Regulations 2007) documentation, before certification of scheme completion; and
- The provision of evidence based proposals for processes to certify quality with clients.
- Ensure all relevant documentation is available for Audit purposes.



CO 6.6: Contractual Roles

The PSCP will engage a range of Primary Supply Chain Members (PSCMs). These roles are the most common on construction projects and represent a large percentage cost of the work. These are defined roles under the P22 Framework Agreement and need to be registered with the Department of Health before commencement of work.

The PSCM roles are:

1. Architectural Design;
2. Mechanical and Electrical Design;
3. Healthcare Planning;
4. Structural and Civil Engineering;
5. Constructors;
6. Mechanical and Electrical Installation;
7. Project Management;
8. Cost Management; and
9. Strategic/Master-planning, and Property Consultancy

PSCPs need to meet the P22 conditions for PSCM registration to the Framework including;

- Registration as a PSCM is required prior to any organisation being involved in the selection process for a P22 scheme;
- By registering a PSCM, the PSCP agrees to comply with the Requirements of the V.A.T. recovery agreement between DH and HMRC at all times; and
- Overhead recovery and profit is clearly and explicitly stated for all subsidiary organisations.



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Other sub-contracted organisations are not specified as PSCMs and therefore do not need to register but are required to uphold the principles and processes of P22.



7. Operational (OP)

OP 7.1) Organisational Stability

P22 supports Health Clients and PSCPs to form long and strong working relationships. It is important that the organisations appointed to the Framework will be able to provide a full range of services nationally over the frameworks full duration. It is therefore essential that PSCPs and their supply chains are able to demonstrate a level of organisational stability. PSCPs are therefore required to:

- Provide financial information through "Constructionline"
<http://www.constructionline.co.uk/static/>
- Demonstrate minimum threshold levels of turnover;
- Demonstrate continuity of expertise, skills and knowledge for the organisation or constituent organisations;
- Demonstrate that a specified level of 'spend' from the Framework will not exceed a specified % of annual turnover;
- Agree to participate in financial checks over the life of Framework;
- Agree to the payment of the annual Framework Services Charge, for framework development initiatives, central marketing, training, auditing and other Framework management costs;
- Agree to a supplier charter that supports the main principles, process, behavioural expectations and commercial rules of the framework.

OP 7.2: Delivery Capacity

PSCPs are likely to be involved in a number of projects at any one time and it is important that they have the resources to deliver effectively and consistently across their organisation(s). PSCPs are therefore required to:

- Provide proposals of the healthcare specific resources that are to be made available to P22 schemes;



- Provide proposals detailing the non-healthcare specific resources that can be made available to P22 schemes;
- Provide evidence detailing how they would deliver high value (£50m+) and complex healthcare schemes; and
- Provide evidence detailing how they would deliver low value (<£1m) projects (under a minor works arrangement).

OP7.3: Coverage

The P22 Framework is structured to offer national coverage to clients and it is therefore a condition of acceptance that PSCPs and their supply chains are able to deliver projects in any part of England.

PSCPs are required to:

- Provide evidence of the delivery of programmes of minor (<£2m) and major (£2m+) works on a national level;
- Propose how the PSCP, PSCMs and their supply chains are to provide coverage for works across the whole of England; and
- Propose how issues and constraints to the effective delivery of works in any part of England will be addressed.
- Address specifically how a regional structure will be managed to deliver consistently high performance for all Health Clients.
- Participate in the selection process for all schemes registered on the framework.

OP 7.4: Experience

Projects under P22 may be very varied from simple accommodation to highly technical, critical operational systems. It is therefore essential that the selected PSCPs are able to provide evidence of their ability to meet the detailed Requirements of healthcare clients. PSCPs are required to:

- Provide evidence detailing their management of a supply chain to deliver healthcare and relevant non-healthcare construction projects;



- Provide evidence of PSCMs successfully delivering healthcare and relevant non-healthcare projects;
- Demonstrate an understanding of the specific needs, issues and concerns of healthcare clients and end-users in relation to healthcare construction;
- Demonstrate an understanding of the NHS structure, financial issues and culture;
- Demonstrate an understanding of patient needs and expectations;
- Provide an evidence based proposal detailing how non-healthcare experience can be leveraged to enhance project and clinical outputs on health schemes;
- Provide an evidence based proposal detailing how lessons learnt can be recycled into projects at any stage in their lifecycle;
- Provide evidence of the delivery of innovative solutions to achieve added value for clients; and
- Provide clients with an ability to measure clinical and business outcomes.

OP 7.5: Standardisation

P22 will develop and provide standardised solutions for Health Clients that offer benefits in terms of time and cost and improve the quality and efficiency of care provision. PSCPs will be required to work together to deliver these standardised options for Health Clients.

PSCPs are required to

- Show evidence of understanding of the benefits and practicalities of standardisation of buildings, rooms, departments, materials and components for healthcare environments
- Show evidence where they have successfully improved outcomes for Health Care (or other relevant) clients using standardised/off-site construction solutions
- Show where they have partnered with other organisations to lower the cost of construction for clients.
- Provide proposals for the promulgation of standardised solutions to a highly diversified client.



- Provide proposals for the development of the standardisation of processes and services.

OP 7.6: Health and Safety

P21/P21+ projects have had excellent safety records and made significant progress in this area and, to support further development, PSCPs are required to:

- Demonstrate an understanding of their responsibilities under Health and Safety legislation;
- Provide evidence of resolution of Health and Safety issues through the supply chain;
- Provide evidence of the implementation of best practice Health and Safety policies, processes and monitoring mechanisms;
- Show detailed understanding of Health and Safety issues while working in a Healthcare or similar environment; Proposals for how Health and Safety performance could be improved;
- Provide evidence of their approach to occupational health and that of their supply chains.

OP 7.7: Framework Governance

To provide assurance to Government and Health Clients of the high quality procurement provided under P22 the Department of Health will ensure robust governance structures and procedures. The proposed Governance structure will be implemented as below. The DH reserves the right to alter the structure as appropriate without consent.

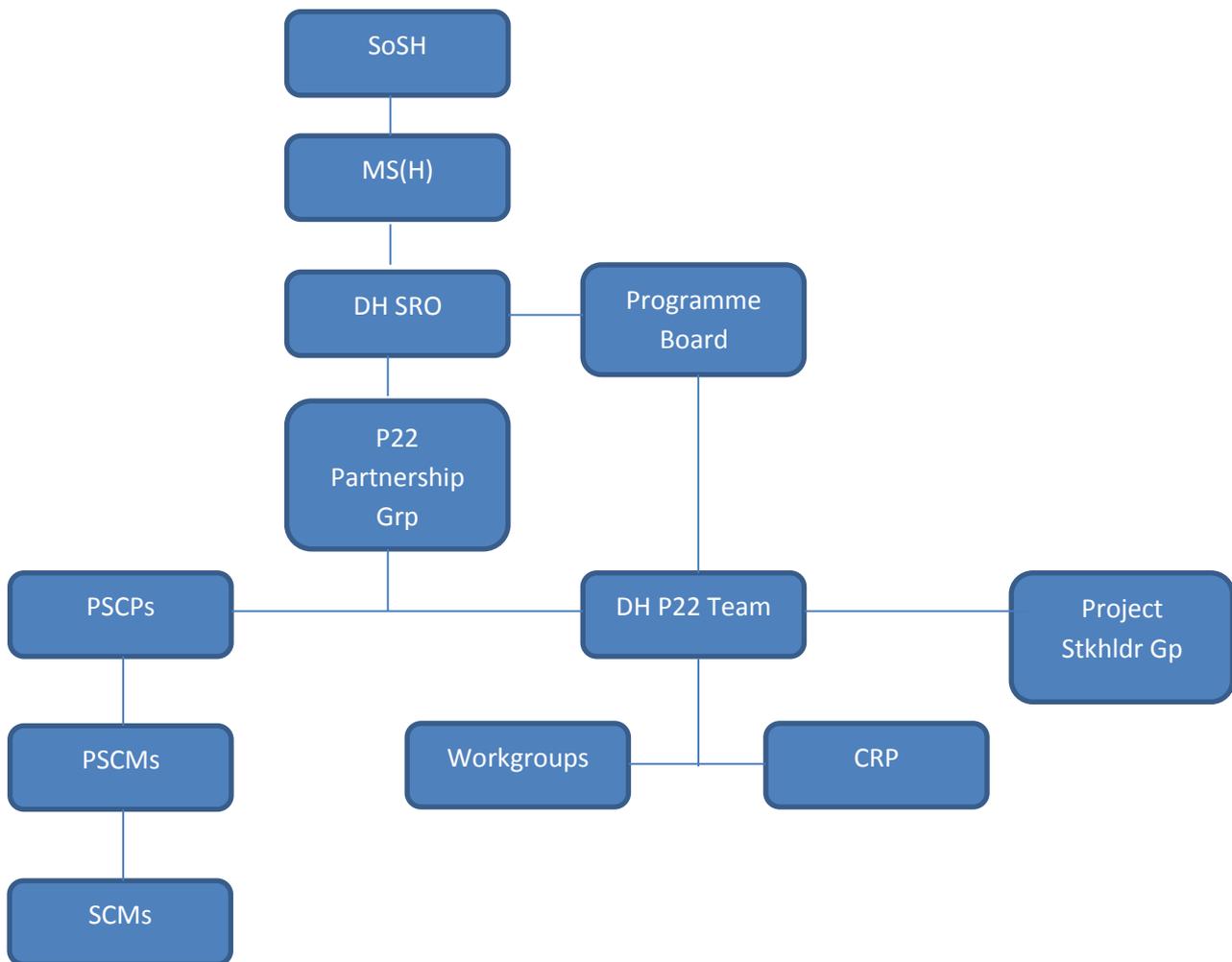
To support proper governance the PSCPs are required to;

- Attend framework management meetings and working groups for the development of specific areas of the framework;
- Agree that Board Level PSCP representatives will meet with the DH SRO on a biennial basis;
- Provide evidence of compliance with the framework agreement and scheme performance as required;
- Provide support to the DH to promote use of the framework;
- Pay the Framework Service Charge as required;
- Ensure that they train and develop their supply chains to enable them to engage effectively with the delivery of projects under the P22 Framework;



- Ensure that they and their supply chain actively support the development, promotion and implementation of initiatives such as the Repeatable Rooms, Standard Components etc.

OP 7.7: P22 Governance Structure



Key

- SoSH – Secretary of State for Health
- MS(H) – Under Secretary for Health
- DH SRO – Director of Estates and Policy Division
- Programme Board – chaired by DH SRO, attended by
- P22 Partnership Group – chaired by P22 Programme Manager, attended by all PSCPs
- PSCPs – Principal Supply Chain Partners
- PSCMs – Primary Supply Chain Members
- SCMs – Supply Chain Members



- DH P22 Team - DH Construction Procurement Team/Implementation Team/Contracted support
- Project Stakeholder Group – various invited group members direct from Health Clients
- Work Groups – to be determined upon commencement of the framework
- CRP – Cost Reduction Programme

OP 7.8: PSCP and Supply Chain Governance

To ensure compliance with the P22 framework agreement PSCPs are required to;

- Name a Board Level SRO responsible for all PSCP activities under the P22 framework;
- Name a P22 lead at Director Level responsible for the day to day activities of the PSCP and the Supply-Chain;
- Ensure a regional structure has central responsibility to the P22 Lead for all P22 activities;
- Provide a PSCP governance structure and inform the DH of any change through the term of the framework;
- Ensure that any regional group organisation/companies or others in their supply chains undertaking work on P22 Schemes/Projects are accountable to their central teams and that the central teams have the authority to manage them;
- Agree to the conditions governing mergers and acquisitions and takeovers;
- Ensure structural compliance to enable maximum available recovery of VAT for Health Clients;
- Confirm that major issues² will be communicated to the DH from the P22 lead prior to them having a negative effect of the project and the P22 framework;
- Provide proposals on how PSCP staff are selected, managed and retained on schemes;
- Ensure that all organisations and their representatives working on P22 Schemes/Projects understand the P22 Framework and the NEC Contract as well as the requirements of Health Clients.

² A Major issue is defined as any issue arising that at the point of communication that is likely to result in the PSCP withdrawing from a project, or potentially breaching the project contract or Framework Agreement conditions.



OP 7.9: Supply Chain Management

The successful delivery of a scheme requires effective management of the supply chain. PSCPs are responsible for ensuring that all members of their supply chain deliver against the requirements of P22. To support this, PSCPs are required to:

- Provide an organisational diagram defining lines of accountability and responsibility in the supply chain;
- Provide an evidence based proposal for the establishment of long term working relationships and to include measures for the development of partnering forms of working and delivery of associated benefits;
- Provide an evidence based proposal detailing how local PSCMs and SCMs could be engaged in P22 schemes;
 - Provide access for health clients to IT expertise to ensure IT solutions are central to the clinical delivery strategy;
 - Propose processes for the assessment of capability and stability for new PSCMs;
 - Mirror NEC3 Contracts down the supply-chain;
 - Provide an evidence based proposal detailing how they and the supply-chain can support health clients to address changing healthcare provision, challenging budgets, ageing estate, changing demographics and increased expectation of patients;
 - Provide proposals on how Building Information Management and Government Soft Landings will be engaged on projects, and how the benefits can be captured and measured.

The effective management of supply chain processes is supported by key Framework conditions including, but not limited to:

- Agreement to apply the principles outlined in the OGC Best “Fair Payment” Practices;
- The provision of evidence based proposals detailing how innovation and added value can be encouraged, implemented and replicated through the supply chain;



- Provide evidence of how the PSCP will work with the supply-chain using Building Information Management in a Common Data Environment in line with BIM Task Group Guidance;
- The provision of evidence based proposals for effective relationship management including an exemplar scheme governance structure;
- Proposals for the development of a culture of continuous improvement through the supply chain;
- Proposals of how the PSCP will engage with the Health Client to select suppliers and/or PSCP staff.

OP 7.9: Sustainability

The health of our communities is of particular importance and therefore sustainability should be at the core of any healthcare development through the stages of conception, construction activity and the operational life. P22 healthcare projects should be able to respond to Health Client requirements for the delivery of environmentally, socially and economically conscious projects.

PSCPs are to proactively contribute to the development of sustainable schemes; engaging, educating and supporting P22 clients. PSCPs are therefore required to:

- Provide evidence of the successful delivery of environmental, social and economic sustainability outputs on previous schemes in any sector;
- Provide an evidence detailing how the Government Sustainability agenda and NHS Clients' accountability as a socially responsible client could be delivered through P22 schemes; and
- PSCPs are to provide proposals for engagement of apprentices on P22 schemes;
- Provide confirmation of the proportion of its total workforce (excluding admin) being in any form of apprenticeship or training over each of the last three years;
- Provide evidence of the number of staff that have achieved professional registration over each of the last three years;



- Provide evidence of apprenticeship weeks that have been completed over the last three years and continue to maintain records over the duration of the P22 Framework.

P SCPs are required to provide evidence based proposals detailing how they comply with all applicable sustainability legislation, Government Requirements and Department of Health guidance.

OP 7.10: Quality Management

The achievement of high levels of assurance and customer satisfaction is as seen on the ProCure21 and P21+ is imperative as a basis for P22 to build on. To support this, the PSCPs are required to:

- Provide evidence of quality processes and that they achieve, or are equivalent to, ISO9001 standards;
- Provide evidence of the application of quality processes in a healthcare or similar project environment;
- Propose how quality standards will be applied, measured and monitored on P22 schemes;
- Propose how the PSCP will engage with Health Client Stakeholders, how they will use technology to improve their engagement, but also how they will encourage Health Clients to specify standard solutions and VFM specifications;
- Propose how quality management principals, processes and tools will be used to deliver a zero defect scheme environment and the controls applied in its management;
- Provide evidence based proposals demonstrating understanding and capability to deliver premises that are compliant with the Requirements of the NHS HealthCare Acquired Infections (HCAI) code of practice;
- Provide a named after-care contact for each project for the duration of the defects period, who will take responsibility for the rectification of latent defects; and
- Be registered and compliant with the Considerate Constructors scheme.



OP 7.11: Best Practice, Design and Innovation

Key to the successful delivery is the use of innovative processes, technology, designs and products.

To support the evaluation of the capacity to innovate PSCPs are required to submit proposals on:

- Research and Development practices;
- Innovative design thinking;
- Client, end-user (includes clinicians and patients) engagement;
- Innovation transfer to clients;
- Improving clinical/business outcomes.

The P22 Framework will provide the mechanism for the collection and storage of project information that will be made available to other Health Clients under a Royalty Free Licence clause in the P22 Framework Agreement.

PSCPs are required to:

- Identify a named individual responsible for the collection and upload of project data to the P22 Club (Projects Share).
- Propose ways in which information can be used again therefore saving client resources.
- Support the development, implementation and promotion of the repeatable rooms and standard components or other cost efficiency savings initiatives identified as the P22 Framework progresses

OP7.13: BIM and Government Soft Landings (GSL)

The Government has mandated the use of BIM and GSL on all Public Sector Capital Schemes. P22 will support this by provision of infrastructure for Health Clients to adopt BIM and. PSCPs are required to;



- Be compliant with all relevant Government BIM/GSL guidance in line with P22 requirements in agreement with the DH;
- Provide a BIM Champion to take part in a framework development working group
- Use BIM as 'business as usual' on all P22 schemes;
- Ensure BIM use and skills throughout their companies and their supply-chain for P22 projects;
- Engage clients using BIM and ensure they understand the benefits they can achieve;
- Provide evidence of the provision of project data in BIM format that is being used but client FM for demonstrable benefit;
- Assist the DH provide BIM and GSL P22 specific infrastructure for the adoption and management of BIM projects;
- Collaborate with other PSCPs to develop a BIM Component Library for Health Clients
- Commit to measure the impact of BIM and produce case studies;
- Provide Health Clients with a system of benefits realisation to quantify the benefits of investment compliant with GSL guidelines.
- GSL

OP7.14: Security and the Health Environment

For many schemes, construction activities are conducted in a live environment so control of the site and its surroundings are essential to the Health Clients Experience and the ability for them to continue to provide quality health-care. To support the evaluation of PSCPs, they are required to submit:

- Evidence detailing site access policies and their application in a healthcare or similar environment;
- Evidence based proposals detailing how any legally required pre-employment checks for scheme personnel will be conducted through the supply chain; and
- Evidence based proposals for the management of patient and staff privacy, dignity and safety in a project environment.



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- Evidence of understanding of a variety of patient needs and how that may affect the delivery of a construction project.



8. System (SY)

SY 8.1: System Principles

The use of common systems and processes to manage and co-ordinate scheme activity is fundamental to scheme delivery and framework management. PSCPs are therefore required to provide;

- Agreement to define minimum system specifications, in partnership with the P22 team, to support compatibility;
- Use of contract administration systems;
- Evidence of Information Technology and information system capability;
- Evidence of the integration of supply chain systems, particularly for BIM;
- Evidence of methods for the sharing scheme knowledge and information with the NHS and other supply chains;

The appointed PSCPs will work with the P22 team to agree the common specifications and formats for scheme and framework information. This will include, but may not be limited to:

- Data interchange protocols and processes;
- Data security, integrity and reliability;
- Timeliness of performance and Monthly Monitoring information;
- The integration of supply chain systems;
- Development of centrally prescribed information storage protocols.

The systems used to support P22 will need to collect, store and distribute a significant quantity and range of information over the duration of the Framework. P22 will not mandate the use of specific, named systems unless provided centrally. For all relevant PSCP owned systems, it is a requirement that their specifications and use meet the standards outlined for Framework membership. PSCPs are therefore required to:



- Provide proposals for system enhancement;
- Define and agree to centrally prescribed forms and frequencies for sharing scheme information in partnership with the P22 team;
- Provide evidence of security and resilience strategies;
- Provide evidence of data protection and agreement of provision of information under the Freedom of Information Act 2000;
- Provide proposals for data protection;
- Agree to the royalty-free licensing of all information produced under the P22 framework with provision of the information on request in agreed formats.

SY 8.2: P22 Supplier Charter

P22 PSCPs will be asked to sign up to a Supplier Charter on behalf of their organisation and their supply-chain as a condition of acceptance to the framework. The charter will set out the minimum expectations of supply-chains when working on a P22. The suppliers' charter will form part of the P22 Performance Management Plan. P22 will also operate a Client Charter for agreement of Health Clients as a condition of registering a scheme.

SY 8.3: Client Relationships

Health Clients under P22 will be varied in terms of their requirements, the services they offer, the type of patients they treat, their size and their capital procurement experience. P22 supply chains will need to be flexible but provide a solid base of experience, integrity, openness and innovation. To start, Clients will be asked to complete a post PSCP appointment project brief for the PSCP, for when they start on the project. The brief will cover the following topics.

- Client Governance Structure
- Key stakeholders
- Project Milestones
- Project Outcomes – clinical/business
- Key risks
- Design Status/BIM



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- Funding/Budget status
- Planning Status
- Site considerations
- Training Requirements
- Client specific requirements.

PSCPs are required to demonstrate the following as part of their response to the ITT:

- Facilitate the delivery of prescribed project initiation workshops on all projects;
- Provide evidence detailing how continuity in the quality of client relationships will be maintained at a project level. This may include, but not be limited to, dedication of resources to the project, stakeholder engagement, reporting, management of the supply chain risk management and issue resolution;
- Provide for the capture and sharing of lessons learned to improve performance;
- Provide evidence detailing how risk will be managed using the prescribed P22 process;
- Provide details of PSCP escalation procedure within the PSCP and supply-chain management structure to ensure early notification and resolution of risks and issues;
- Provide evidence of application of the NEC3 Option C Change Management process and monthly reporting procedure;
- Provide evidence of how client aftercare and latent defects will be managed;
- Provide evidence of client/supply chain training events;
- Provide Post Project Evaluation and/or Post Occupancy Evaluation workshops to review performance of the procurement and the end product;
- Provide assurance that the PSCP will comply with the requirements of the P22 Performance Management Plan;

SY: 8.4: Training

A key factor in the success of the previous Frameworks has been the commitment to training. PSCPs



are therefore required to agree to the provision of training for their own staff and client staff from within the gross margin;

PSCPs are required to:

- Provide support and management of P22 training for PSCP, PSCM, SCM and client representatives;
- Keep training records for inspection by Health Clients and/or DH at request;
- Agreeing responsibility for the provision of P22 Introductory training for all PSCP personnel before arrival on site;
- Agreeing to the submission and delivery of annual P22 training plans;
- Provide evidence of plans for Learning and Development through the supply chain to include Continuous Professional Development (CPD) activities;
- Provide proposals of apprenticeship programmes for the employment of apprentices on each project.



9. Commercial

CO 9.1: Rates

The design staff rates for PSCM roles are submitted in response to the ITT OJEU tender process. Reimbursement for Design staff on individual projects will be based on the lesser of:

- 'defined cost'
- design staff design rates submitted as part of the OJEU tender process.

Thus the design staff rates are a maximum rate and these are to be adjusted biennially according to the indices prescribed by the P22 team. The proposed indices will be detailed in the ITT.

To support the transparent, open book principles of the P22 Framework any rates for a PSCM that are submitted centrally over the life of the Framework will be confirmed with that named PSCM.

In order to maintain consistency with the vat recovery guidance (section C09.6) there will be no design staff rates for PSCP staff. Work undertaken by PSCP staff will form part of the fee.

CO9.2: Fee³

PSCPs will propose gross percentage fee(s) to support the achievement of a "fair and reasonable profit".

To provide transparency for NHS Clients, the fee percentages put forward are required to be inclusive of PSCM fees.

The following fee classifications shall be provided as part of the framework OJEU tender process

- I. Direct PSCP fee;
- II. Sub-contracted (design) fee;
- III. Sub-contracted (construction) fee;
- IV. Sub-contracted (M&E Installation) fee;

³ "Fee" is used in this context to reflect the NEC3 contract term and represents the overhead and profit margins for PSCPs and PSCMs.



V. Subcontracted (master planner) fee.

The proposed fees will apply for the full framework duration. For each of the above fee classifications, PSCPs will need to propose a percentage based on the following bands:

1. Minor Works below £1.00m in value
2. Schemes below £2.00m in value
3. £2.00m - £9.99m
4. £10.00m - £24.99m
5. £25.00m - £49.99m
6. £50.00m - £99.99m
7. Schemes in excess of £100.00M in value
8. Master-planning

It is anticipated that the majority of schemes will fall between £2.00m and £49.99m in value and assessment of the commercial proposal will be weighted accordingly. The Department of Health is also committed to driving Value for Money through procurement efficiency and it is anticipated that higher value schemes will demonstrate these efficiencies directly.

P22 requires assurance that relevant PSCP and PSCM roles, provisions and activities are provided from within the stated fee percentages including, but not limited to:

- Insurance;
- Framework management costs; and
- Other management service charges

The rates and fees proposed will be used to conduct the commercial scoring of OJEU tenders and will apply, subject to the stated adjustments, for the life of the framework.



CO 9.3: Framework call off procedure

To ensure compliance, the DH will implement a standard call off procedure to be used by all schemes registered on the framework. The call-off procedure will be based on a combination of cost and quality. PSCPs will be required to:

- Bid for all of the schemes that issue High Level Information Packs;
- Encourage Health Clients to use the P22 Framework over other procurement routes;
- Comply with P22 requirements for PSCP Selection Procedure;
- Identify at interview stage which fee they will charge in relation to the complexity of the proposed project(s).
- Register all projects as instruction to proceed is received from the Health Client.
- Comply with Health Client requirements where they are consistent with P22 Selection Guidance.

CO 9.4: Risk Management

PSCPs will operate a joint risk management process with the Health Client using the Mandatory P22 Risk Management tool and associated guidance.

CO9.5: Value for Money

The DH through P22 will comply with central government requirements to reduce the cost of construction for public sector organisations. Where guidance is not specific, the DH will require PSCPs to deliver savings over the life of the framework. This will be through but may not be limited to the following initiatives;

- Right First Time – ensuring Clients and supply chains have the training and knowledge to ensure they apply the P22 process as required;
- Cost targeting and benchmarking with specific target cost reductions for all projects;
- Increased use of existing designs already paid for by Health Clients, through promotion and use of the royalty free licence;
- Development of Repeatable Rooms/Departments/Buildings;
- Development of Standardised components which are available to Health Clients through the framework at potentially reduced costs;
- Use of BIM.



To support these initiatives, PSCPs are required to;

- Agree to the delivery of Government mandated savings for public sector construction where required;
- Evidence where they have delivered reductions in capital and whole life costs for Healthcare or related clients;
- Provide proposals for the delivery of lower capital and whole life costs for Health Clients through increased supply-chain efficiency;
- Work collectively to develop standardised solutions for Health Clients;
- Develop VFM objectives with Health Clients;
- Provide evidence of where they have delivered whole life cost savings to healthcare or related clients;
- Promote standardised solutions as default for all Health Client schemes unless specifically indicated that they are not required;
- Work with the client to achieve savings of % on all projected 'Target Costs' for every project;
- Provide DH with information on savings achieved;
- Comply with the requirements relating to BIM as above.



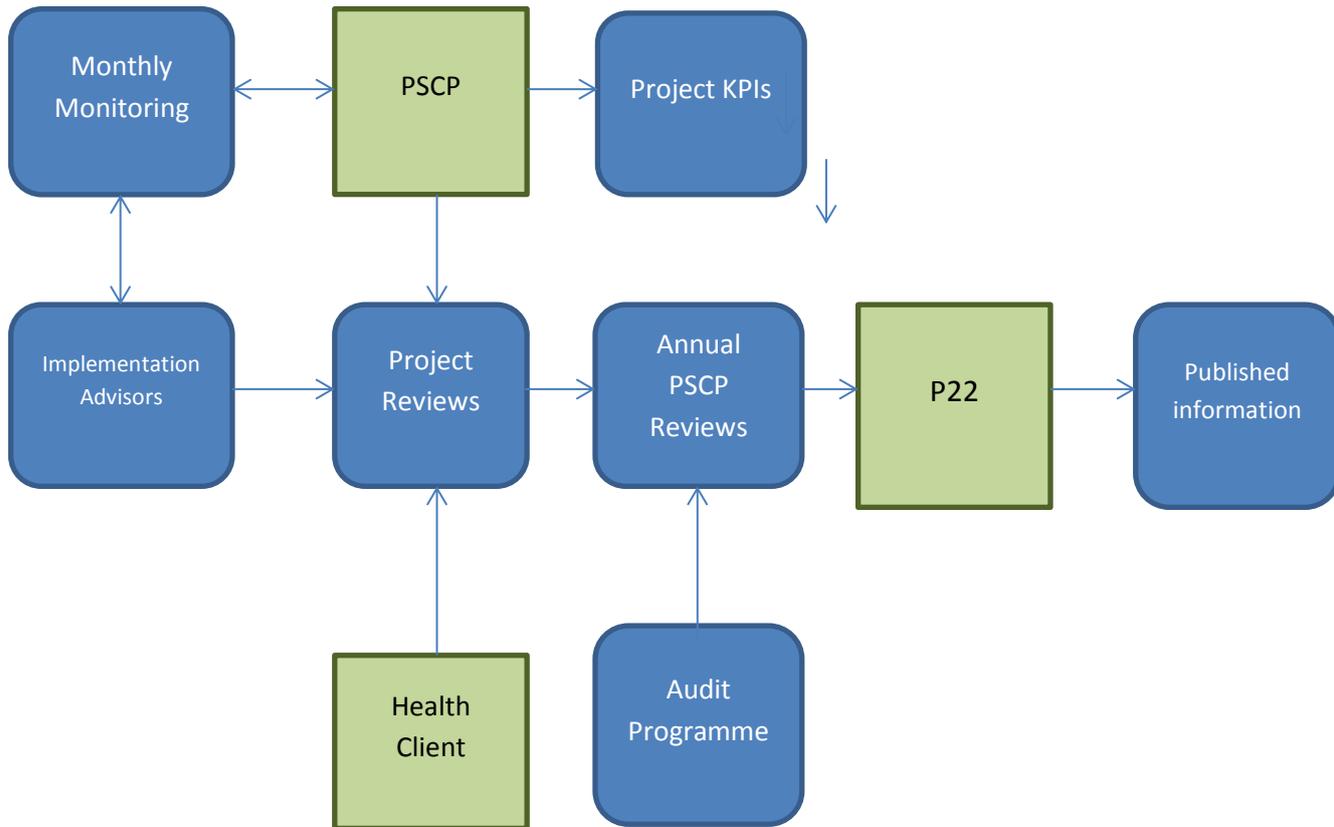
10. The Department of Health has an agreed methodology for recovery of VAT on P21+ and it is intended that this will be replicated in P22 schemes. Particular attention is drawn to Annex E included in the extract at Annex A from the current P21+ VAT Recovery Guidance. PSCPs are required to comply with Governance requirements in relation to VAT as above in section OP7.8.Assurance (AS)

AS 10.1: Assurance requirements

PSCPs are required to agree to comply with the P22 assurance process. The process has been designed to identify both the positive and negative outputs from the PSCP and its supply chain. The results from the assurance process may be shared with current and future Health Clients. The P22 assurance process includes but may not be limited to the following:

- Identification of a Board Level SRO responsible for all PSCP activities;
- Ongoing scheme monitoring by P22 Implementation Advisors;
- Formal end of project reviews facilitated by Implementation Advisors;
- The provision of regular KPI information. KPI information not submitted within the specified timescale will be requested the following year. Non submission will be cause the P22 Performance Management Plan to be invoked at DH discretion;
- Participation in audits of open-book systems and processes;
- Participation in an annual review of performance; and
- The publication of individual PSCP performance information where the DH feels appropriate.

P22 Assurance process is summarised in the following diagram.



Where performance issues are recognised as part of the assurance process, PSCPs will be subject to the P22 performance management plan and sanctions process. The publication of performance information will be at the discretion of the P22 team to support effective performance management and NHS decision making.

AS 10.2: Project Monitoring

PSCPs will be required to provide regular information on the status of each project that will be shared with the relevant Health Client and the DH P22 Team. PSCPs are therefore required to;

- Complete a Monthly Monitoring submission every month for that current month;
- Report issues to P22 IAs where there is potential for cost and project delays, before they become significant;
- Achievement of VFM targets on all projects;



- Meet with P22 representatives every six months to discuss performance on all projects. (every 3 months in the first year of the framework);
- Agree to Central Audit schedule;
- Provision to the Health Client assurance of compliance with the P22 Supplier Charter;
- Conduct standard P22 Post Project Evaluation;
- Agree to P22 Health Checks where required by the DH, in agreement with the Health Client;

AS 10.3: Key Performance Indicators

KPIs are to be used to track PSCP and supply-chain performance, support development and to benchmark performance in (and against) the P22 Framework. The KPIs measure performance against the client brief specified at GMP. The performance of the P22 Framework is to be publicised and the information provided will be shared with P22 Health Clients. It is a condition of acceptance to the Framework that the data-set is submitted when required. The data-set includes, but is not limited to, measures of:

- Client Satisfaction;
- Project Management Criteria (Time, Cost and Quality);
- Health & Safety performance;
- Bidding Frequency and Success Rates

PSCPs are also expected to demonstrate an understanding of the need for and use of, KPIs and to propose how assessments are to be used to provide assurance.

11.0 Glossary and Defined Terms

NHS	National Health Service
CCG	Clinical Commissioning Group
PSCP	Principal Supply Chain Partner
PSCM	Primary Supply Chain Member
SCM	Supply Chain Member
GMP	Guaranteed Maximum Price
BIM	Building Information Modelling



GSL	Government Soft Landings
Health	Organisations and services that support improvements in: <ul style="list-style-type: none">• the physical and mental health of the people of England and/or,• the prevention, diagnosis and treatment of illness.
Clients	All Clients which are eligible to use the P22 framework.
Scheme	The registration of one or more projects under the framework
Project	Any requirement from a Health Client under the framework that required chargeable work for a PSCP and/or their supply chain.
Integrated Supply chain	A supply chain is made up of all parties involved in fulfilling a purchase, including raw materials, manufacturing the product, transporting completed items and supporting services.
Major Work	Single projects generally over £2m in value. A number of major work projects can be undertaken under a scheme.
Minor Works	A series of task, such as planned maintenance or low value capital works. Each task is generally below £1m in value.



Annex A: ProCure21+ VAT guidance

P21+ National Framework Agreement Appendix 8

Extract from VAT Recovery Guidance for P21+ Schemes (Rev 11)

P21+ National Framework Agreement Appendix 8

VAT Recovery Guidance for ProCure21+ (P21+) Schemes: Rev 11

Introduction

P21+ has an arrangement with Her Majesty's Revenue and Customs (HMRC) in relation to the recovery of VAT on the P21+ National Framework and this will continue for the duration of the P21+ National Framework. The purpose of this guidance is to inform NHS Clients and Principal Supply Chain Partner (PSCPs) involved with the P21+ National Framework of the associated P21+ VAT Recovery Process and requirements that have to be met to enable NHS Clients to realise the recovery of any VAT that they are entitled to on P21+ Schemes/Projects. It is important to note that the use of the P21+ VAT Advisor is free when advice is sought in respect of any P21+ Scheme/Project.

P21+ VAT Recovery Process for NHS Clients undertaking a P21+ Scheme/Project utilising the P21+ VAT Advisor

The Authority has entered into a Framework Agreement under which NHS Clients can enter into a Call-Off Contract with the P21+ VAT advisor in order to receive VAT recovery advice.

See Annex F for the ProCure21+ VAT Recovery Advice Service Process Chart that summarises the key tasks.

At the outset of a P21+ Scheme/Project (on registration) an NHS Client shall:

On scheme registration:

1. Complete and submit the P21+ VAT Advisor Framework **Memorandum of Understanding (MOU)** included in **Annex A** to the DH P21+ Team – a scanned version should be sent by e-mail to James Lamb @dh.gsi.gov.uk (tel: 0113 2546277) , who will arrange DH signature and return,
2. Complete and submit the P21+ VAT Advisor Framework **Call-Off Contract** included in **Annex B** to the VAT Advisor.

and **On project registration**

3. Complete and submit the **Order Form** at **Annex C** to the P21+ VAT Advisor;
4. Complete and submit **Notification of a P21+ VAT Advisor and Submission of a Claim for a P21+ Project** included **Annex D** to the VAT Advisor.

(NOTE: Actions 3. and 4. above can be completed and sent to the P21+ VAT advisor at the same time by an NHS Client)

The P21+ VAT Advisor has to ensure that the above forms are completed and executed by both the NHS Client and the P21+ VAT Advisor before undertaking any chargeable work under the P21+ VAT Advisor Framework Call-Off.

As part of the process of progressing a P21+ Scheme/Project claim effectively, all PSCPs and their Supply Chains are required to encourage NHS Clients to utilise the P21+ VAT Advisor.

The Authority (DH/P21+) will be responsible for payment for the provision of the VAT Recovery Advice received by an NHS Client under the Call-Off Contract. The nominal charge of £1 stated in the Call-Off Agreement, between the NHS Client and P21+ VAT Advisor, is incorporated in to the daily charge the Authority pays to the P21+ VAT Advisor.

The NHS Client and the P21+ VAT Advisor agree and acknowledge that the Authority shall not be responsible for payment of or liable for any additional services (i.e. services that are outside of the scope of the Specification) that are identified and agreed between the NHS Client and the P21+ VAT Advisor.

As part of the P21+ process there is an arrangement with HMRC where an initial VAT assessment will be undertaken by the P21+ VAT Advisor on projects upon them reaching the Guaranteed Maximum Price (GMP) stage. Contact details for the P21+ VAT Advisor are included on page 8 of this guidance.

To ensure that the VAT liability associated with “Professional Fees” incurred where work commences on the Pre-Construction Stages (Stages 1 – 3) of any P21+ Project in the financial year prior to that in which the GMP is agreed can be recovered **ALL** P21+ Projects must be registered on the P21+ Schemes Database when the :

1. “Letter of Appointment Letter of Appointment: P21+ Schemes for a Single Project” is signed: and/or
2. “Letter of Appointment: P21+ Schemes for Multiple Projects” is signed: and when the subsequent “P21+ Project Letter of Instruction” is issued for any of the projects undertaken as part of the Scheme;
3. “Letter of Appointment Small Works Template: Single or Multiple Task Periods” is signed and when the “Instruction to proceed with a *Task Period*” is issued for any or all of the Task Periods.

All NHS Clients (and VAT advisers) working on P21+ Projects should note that the following notification information should be provided to HMRC before the expiry of 31 July Contracted-Out Services deadline (where there are VAT costs incurred on a project relating to the previous financial year) in order to protect any claims to VAT recovery that may be arising;

- NHS Client name and VAT registration number;
- The name of the Project;
- The P21+ registration number for the Project;
- The planned date of start of construction;



- If this is a case where GMP has been delayed the reason for the delay, this will enable HMRC to consider whether any VAT incurred for the previous financial year can be claimed in a subsequent year once the GMP has been agreed and a VAT recovery Claim submitted for the Project;
- A brief description of the current position for the scheme e.g. the scheme has recently commenced; the Project has stalled at Stages 1, 2 or 3; GMP is in negotiation, planned new extension.

Where this action is taken HMRC have indicated that they will consider a Project as properly notified and VAT on costs incurred in the previous financial year will be allowed (if reclaimable) upon the Trust receiving written agreement to the submission made at Initial Assessment. Where an adviser is working on more than one P21+ Project or for multiple clients then HMRC will accept notification in spreadsheet format or NHS Clients can use the template provided at Annex D within the P21+ VAT Recovery Guidance documentation.

NHS Clients should also note that;

- Where a Project has a GMP agreed in the previous financial year (and the Contracted-Out Services deadline for claims has not yet been reached – then the Trust or its advisers should complete and submit all P21+ documentation and forward it for receipt to HM Revenue & Customs by the deadline of 31 July (i.e. before the Contracted-Out Services deadline);
- Where an NHS Clients Project details have been previously notified to HMRC (using the above methodology) but GMP is not yet agreed (with the Contracted –out Services deadline of 31 July approaching) and VAT costs have been incurred for which a COS refund may be due AND the primary reason for the GMP delay (beyond that previously notified) can be evidenced as being ecological and/or political then a claim will be admissible;
- In the above bullet, where a scheme has not had GMP agreed and it has a valid political or ecological reason established and the delay in GMP continues into a further COS year(s) then further notification(s) should be received by HMRC before the Contracted-Out Services deadline for the financial year expires.

The P21+ VAT Advisor will provide this information to HMRC when the information stated above is made available to them. NHS Clients using their own VAT advisers should note these requirements and instruct them accordingly.

The VAT Recovery Spreadsheet included in Annex G will be used by the P21+ VAT Advisor for calculating and submitting a VAT Recovery Claims to HMRC for a P21+ Project.

If the aforementioned action is not taken an NHS Client could become unable to reclaim from HMRC some or all of the VAT they are entitled to as HMRC require notification that a P21+ Project has commenced and that Professional fees are being incurred at the time it starts.

The VAT assessment, once undertaken and agreed with the NHS Client, will permit them, upon receipt of an approval letter from HMRC, to recover VAT incurred on the project to date and against invoices received from the PSCP only and until the project is completed. It is important to note that no VAT should be recovered by an NHS Client on any PSCP invoices for a project until it has received written approval of its claim from HMRC. Any VAT claimed by an NHS Client on PSCP invoices prior to it



receiving written approval of its claim from HMRC will need to be repaid to HMRC, it can then subsequently be reclaimed once written HMRC approval is received in respect of its claim for the project. During this assessment stage, parts such as Site Administration (staff costs) and Site Facilities (fixed non-staff costs e.g. offices, site security etc.) (both these categories were referred to historically as Preliminaries) and Risk Allowances (which covers the area of Contingencies) will be taken into account, but no VAT allowance will be assigned to them.

Once a project is completed and the final assessment of costs becomes available, the original cost submission for VAT Assessment should be updated and provided to the nominated P21+ VAT Advisor who will then undertake a final VAT assessment. At that stage a VAT allowance will be granted to the parts above (Site Administration, Site Facilities and Risk Allowances where permitted) together with any Gain Share amounts.

NHS Clients should at the Final VAT Review Stage and dependent upon how project costs have performed, receive a further VAT sum and the final review exercise will permit a Final VAT figure to be agreed with HMRC.

NHS Clients need to ensure that records are kept showing breakdowns of costs for aspects of a P21+ Project such as Site Administration, Site Facilities, Risk Allowances, any Gain Share or other elements of the Project as HMRC may require access to them to validate any VAT Recovery Claim that has been submitted to them either as part of the initial or final assessment. Such records may assist in resolving any queries raised by HMRC in “production notices” (information requests) issued by them.

NHS Clients in conjunction with their Professional Advisors (Project Managers/Cost Advisors) and PSCPs should ensure that a Final VAT Assessment is undertaken as described above otherwise they may lose any additional VAT Recovery that may be due to them resulting from undertaking such a review.

It is important that all involved comply with the timescales set out by HMRC in respect of VAT Recovery Claims and avoid any issue associated with them not being met e.g. VAT Recovery Claims being rejected by HMRC because they have been submitted late and therefore become time barred.

Notes on Areas of VAT Recovery under P21+ when using the P21+ VAT Advisors and P21+ VAT Recovery Process

1) P21+ National Framework PSCP Fee Percentage

The percentage charged by the PSCP includes the overhead and profit costs which the PSCP has incurred as part of a project. The PSCP’s role is one of ensuring that the project is constructed in line with the agreed GMP and the NHS Clients requirements and as such act in the role of an administrator for the project with named persons being appointed by the PSCP as fulfilling this role. These persons are not involved in the actual construction process and as such, their costs are regarded as being “Professional Fees” and as such HMRC has agreed that the VAT charged onto these can be recovered by NHS Clients.

2) P21+ New Engineering Contract Edition 3 (NEC3) Contract Template Gain Share –

If in undertaking their duties in accordance with 1) above, the PSCP achieves a saving on the



agreed cost, then the savings identified are regarded as being the “Gain Share” which both parties benefit from, with the saving being apportioned on an equal basis between the appointed PSCP and the Trust.

This saving is down to “Good Administration “by the PSCP and as such is to be regarded as a “Professional Fee” with any VAT being charged on the sums being recoverable by the NHS Client.

3) Site Administration and Site Facilities (formerly referred to as Preliminaries) and Risk Allowances)

Firstly for the avoidance of doubt all are reminded that on any P21+ project there should be no reference to “contingencies” – all areas of uncertainty should be identified as risks on the P21+ Joint Risk Register.

No allowance will be made in respect of VAT at the initial VAT Assessment in respect of these costs

areas on P21+ projects. At the Final Assessment Stage there will be costs associated with these cost areas based on “defined costs” and as a result this may result in the recovery of additional VAT by an NHS Client.

4) VAT Recovery and Subcontracting of Design - clarification in respect of P21+Bid Return Document (BRD) Guidance Notes Page 7 Para 4.3:

The following amended BRD Guidance Para 4.3 clarifies the situation in respect of permitting Primary Supply Chain Member (PSCMs) to engage design consultants/design sub-contractors to assist them in delivering the requirements specified in their Works Packages i.e. fabrication/installation and assembly drawings etc.

"4.3 Subcontracting of Design not permitted

In order to increase transparency and encourage efficient project team structures subcontracting of design is not permitted. Supply Chain Members (SCM) designers may be sourced by the PSCM for the

PSCP on a scheme by scheme basis but must contract directly with the PSCP not the PSCM therefore the NEC3 Engineering Sub Contract (ESC) and Professional Services contract (PSC contracts must be amended by the PSCP in its subcontracting arrangements to exclude subcontracting of design. The only exception to this provision is where a PSCM engages any design consultants/design sub-contractors to assist them in delivering the requirements specified in their Works Packages i.e. fabrication/installation and assembly drawings etc. PSCMs are not permitted to engage design consultants/design sub-contractors to undertake work that would be undertaken by any P21+ PSCM Design Role in respect of the overall design for any P21+ Scheme. The P21+ VAT Recovery Guidance must be complied with to ensure any VAT can be recovered"

Any designers engaged by PSCMs to assist them in delivering the requirements specified in their Works Packages i.e. fabrication/installation and assembly drawings etc. should not be undertaking the work that would be undertaken by P21+ PSCM in respect of the overall design of a P21+ Scheme e.g.:



- Architectural Design;
- Healthcare Planning;
- Mechanical & Electrical Design;
- Project Management;

- Structural and Civil Engineering.

Please note that whilst it is acceptable for a PSCM to utilise in-house resources to undertake any design work in delivering the requirements specified in their Works Packages i.e. fabrication/installation and assembly drawings VAT will not be recoverable on the cost of these design services as this is a “Composite Supply”.

5) P21+ NEC3 Option C Small Works Schemes and VAT recovery

NHS Clients are required by HMRC to provide confirmation that any small works schemes all have separate GMP’s and that an NHS Client can account for the costs associated with them separately. To achieve this HMRC requires that an NHS Client provides separate copies of PSCP invoices and evidence that the Trust has set up valuation accounts for the costs identified on the invoices.

6) Outstanding Final Assessments for VAT recovery Claims on P21 Projects

NHS Clients should ensure that they have no outstanding Final Assessments for any P21 Projects that they have previously undertaken as HMRC will not process any new P21+ VAT Recovery Claims where an NHS Client has any outstanding Final Assessments for VAT recovery Claims on any P21 Projects. To avoid any delays to their P21+ VAT recovery Claims being considered NHS Clients should ensure that any outstanding P21 Project Final Assessments have been submitted to HMRC.

P21+ VAT Recovery and P21+ Principal Supply Chain Partner (PSCP) /Primary Supply Chain Member (PSCM) Structure

Annex E to this P21+ VAT Recovery Guidance identifies requirements in respect of Principal Supply Chain Partner (PSCP) /Primary Supply Chain Member (PSCM) Structure that PSCPs are required to comply with at all times to ensure that NHS Clients realise the recovery of any VAT that they are entitled to on P21+ projects. The critical factor being that PSCPs must ensure that they are not seen as providing a “Composite Supply”.

P21+ VAT Recovery and P21+ Principal Supply Chain Partner (PSCP) /Supply Chain Member (SCM) Structure

Please note that the principles detailed in this guidance also apply to PSCPs and their relationship with Supply Chain Members (SCMs) generally i.e. their structure supply chain structure should not be seen as providing a “composite supply”

P21+ VAT Advisors Contact Details



Department
of Health

The following should be contacted in respect of any queries in respect of the P21+ VAT Recovery Process:

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Annex E

P21+ VAT RECOVERY GUIDANCE - PSCP/PSCM STRUCTURE

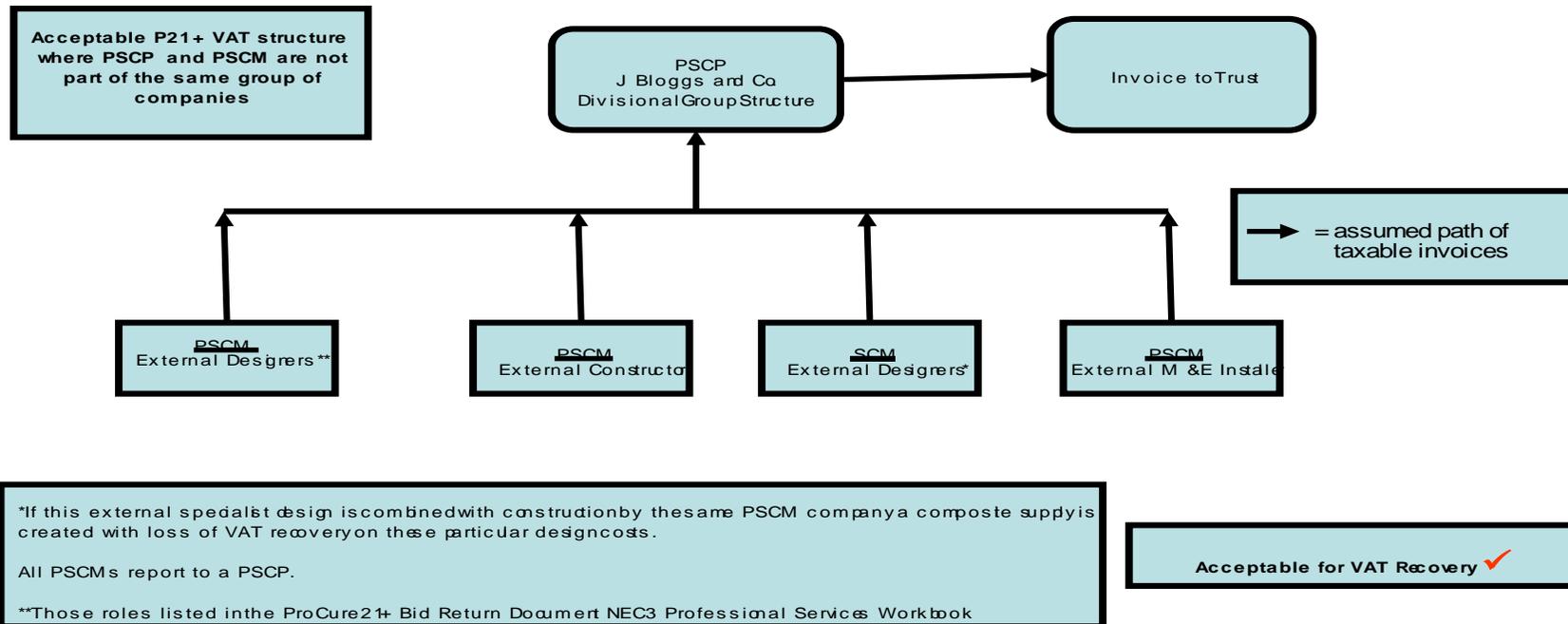
In respect of relationships between the PSCP and their Supply Chain Members companies, PSCPs are required to comply with the following:

- Structure 1 has external parties providing “Design” services aspects and is therefore acceptable. This explains the structure where the PSCP and PSCM constructor are not from the “same company” and **would be acceptable for VAT Recovery under P21+.**
- Structure 2 has external parties providing “Design” services aspects and is therefore acceptable. This explains the structure where the PSCP and PSCM constructor are from the “same company”. This must avoid the Trust paying profit on profit.
- Structure 3 has an overall Divisional VAT structure encompassing PSCP/PSCM with the use of in house staff who would undertake the work of the external companies as per Structure 1. This is seen as providing a “composite supply” for VAT purposes (Design + Construction) and would not acceptable for VAT Recovery under P21+.
- Structure 4 is where separate companies with individual VAT numbers have been set up, however this is seen as a “Global” company, where the parent company, could have influence on its other members. This would be seen as providing a “Composite Supply” for VAT purposes (Design + Construction) and would not acceptable for VAT Recovery under P21+.

PSCPs using company or supply chain structures as defined in **Structures 2 and 3** would be seen as providing a “composite supply” and therefore VAT **would not be recoverable on a P21+ Scheme/Project.**

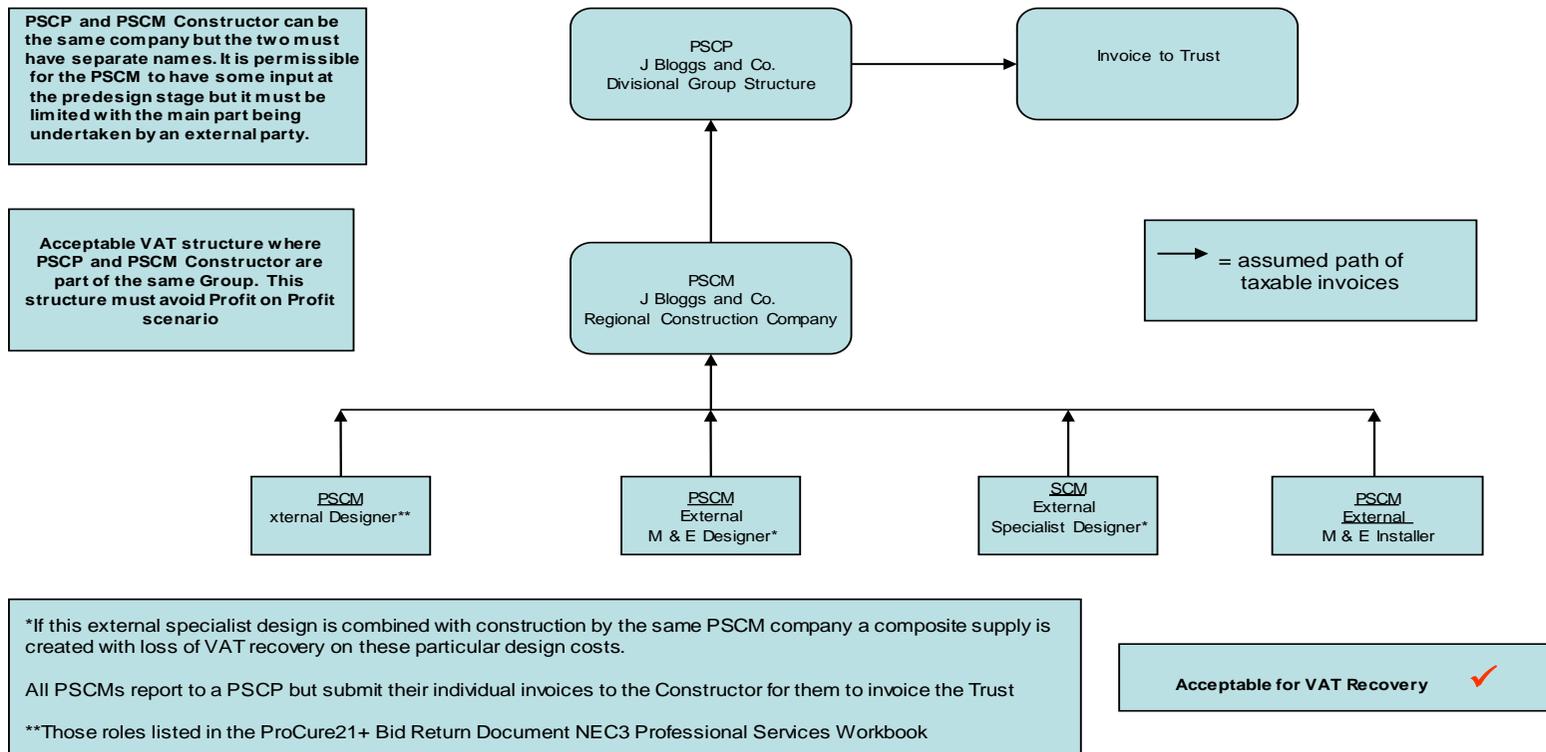
STRUCTURE 1

ProCure 21+ Agreed Structure for VAT Recovery
 External PSCMs being used for Design
 (i.e. separation of design from construction)



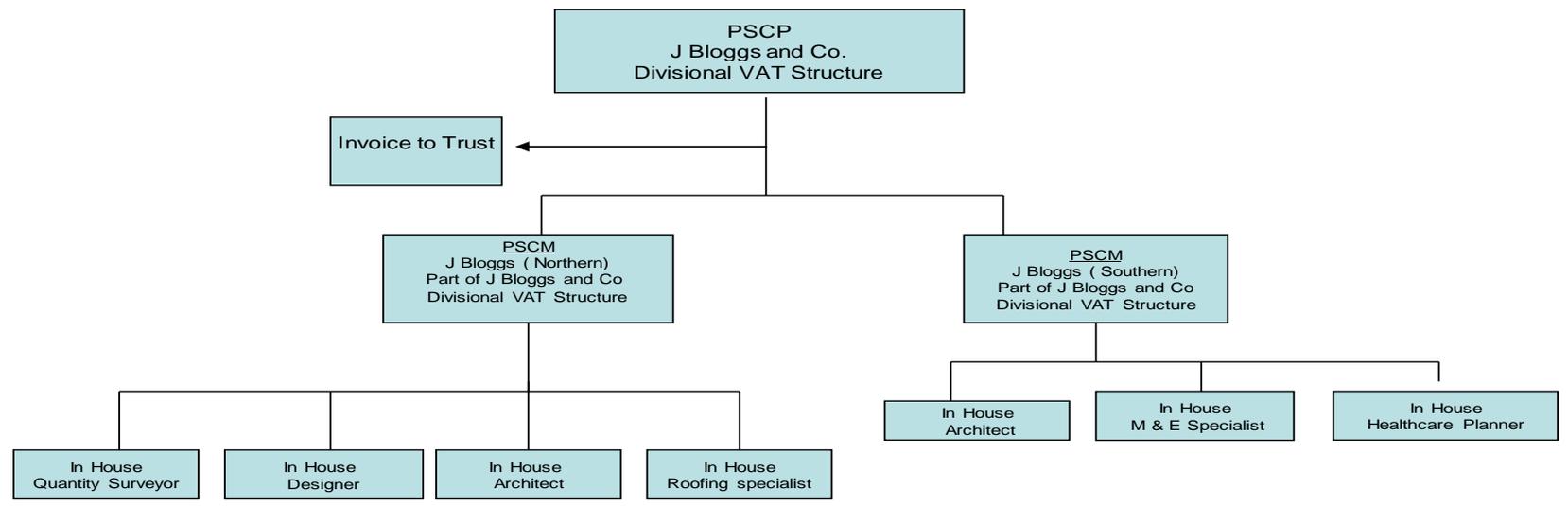
STRUCTURE 1 (cont.)

ProCure21+ Agreed Structure for VAT Recovery
External PSCMs being used for Design
(i.e. separation of design from construction)



STRUCTURE 2

ProCure21+ Invalid Structure for VAT Recovery with one company undertaking all duties - In house design and construction

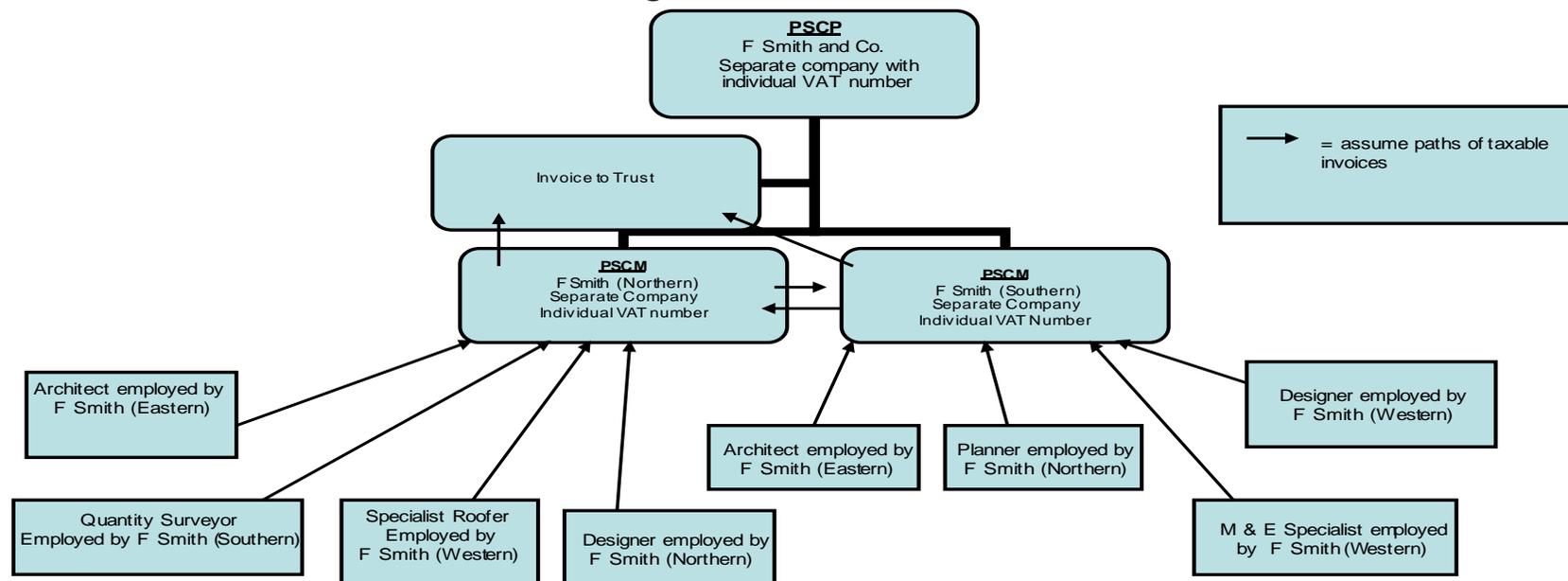


Could be used for Minor Works projects but VAT recovery would be lost due to the use of Staff from one company only, therefore all internal charges and as such regarded as a composite supply.

Unacceptable for VAT Recovery X

STRUCTURE 3

ProCure21+ Invalid Structure for VAT Recovery as work undertaken by “Global” company despite separation of group and companies having separate VAT registration numbers.



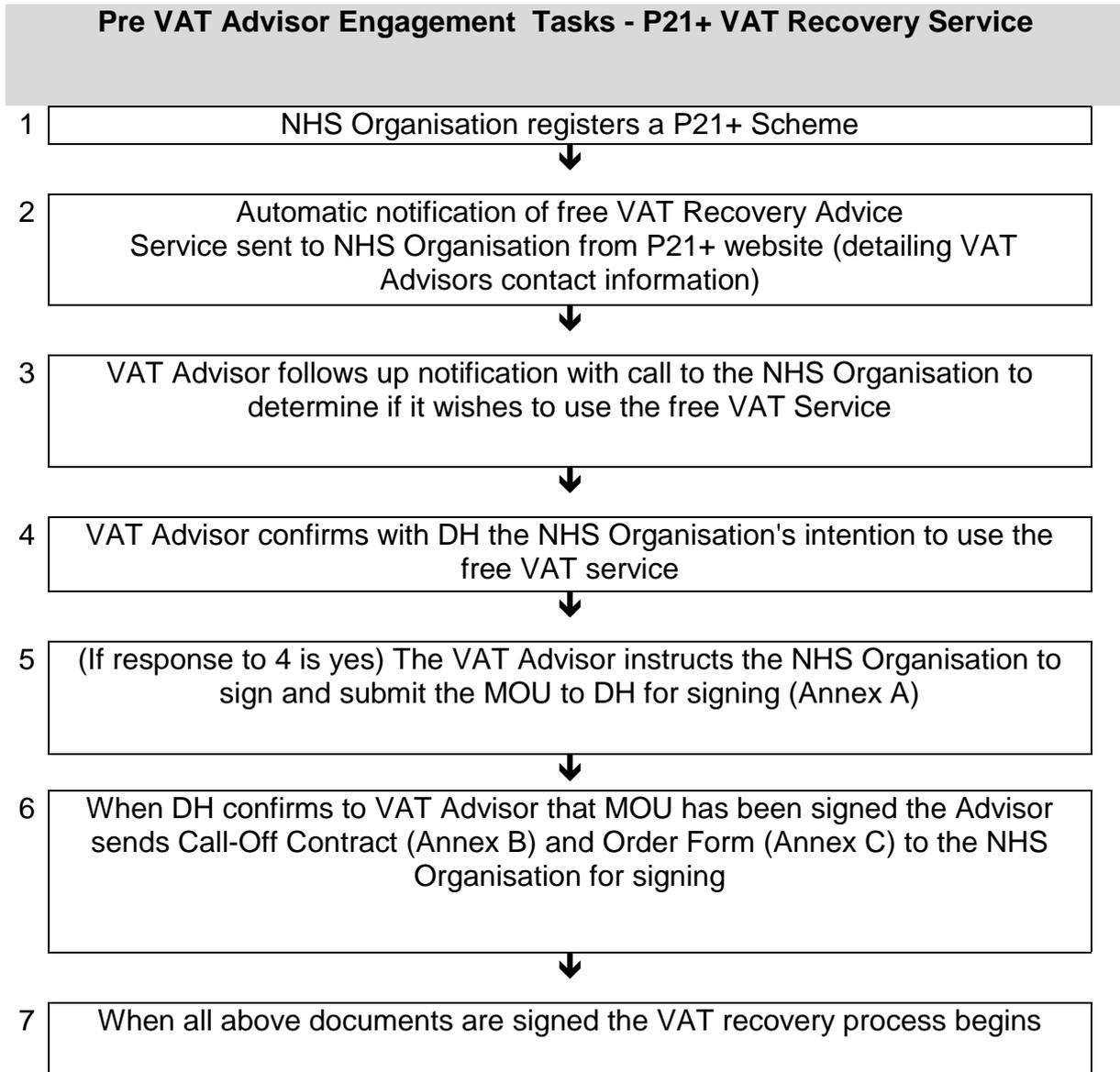
The F.Smith companies are registered as companies within their own right and have their own VAT numbers. Taxable invoices are charged one to the other, with an overall invoice being sent to the Trust. The view here is that they could be possible influences in the administration or use of each other and as such this would be regarded as similar to a composite supply.

Unacceptable for VAT Recovery X



Annex F

ProCure21+ VAT Recovery Advice Service Process Chart





Post VAT Advisor Engagement Tasks - P21+ VAT Recovery Service

