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SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS MEETING

HELD ON 19th JULY 2017

Subject	2017/18 to 2021/22 Capital Programme
Supporting TEG Member	Neil Priestley, Director of Finance
Author	Neil Priestley, Director of Finance
Status[1]	A/N

PURPOSE OF THE REPORT

To provide an update on the 2017/18 Capital Programme and 5 Year Capital Plan.

KEY POINTS

1. The Capital Programme remains manageable for 2017/18 but the 5 Year Plan moves into an increasing over committed position from 2019/20 onwards.
2. This over-committed position is likely to be exacerbated as new schemes and priorities emerge over the five year period and if these priorities are to be progressed funding solutions for future years will need to be identified.
3. Key influences on the 2017/18 programme position will be progress on the IT Programme; plans for decant wards and the proposed WPH upgrade; and progression of Theatre refurbishment schemes.
4. Capital planning/prioritisation and scheme “value engineering” continue to be crucial in securing maximum value for money from extremely constrained resources.
5. Given potential slippage, action is required to ensure an acceptable position for 2017/18.

IMPLICATIONS[2]

AIM OF THE STHFT CORPORATE STRATEGY 2012-2017		**TICK AS APPROPRIATE**
1	Deliver the Best Clinical Outcomes	
2	Provide Patient Centred Services	
3	Employ Caring and Cared for Staff	
4	Spend Public Money Wisely	✓
5	Deliver Excellent Research, Education & Innovation	

RECOMMENDATIONS

As per Section 7 of the report.

APPROVAL PROCESS

Meeting	**Date**	**Approved Y/N**

[1] Status: A = Approval
A* = Approval & Requiring Board Approval
D = Debate
N = Note
[2] Against the five aims of the STHFT Corporate Strategy 2012-2017

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

BOARD OF DIRECTORS 19th JULY 2017

2017/18 TO 2021/22 CAPITAL PROGRAMME – QUARTER 1 UPDATE

1. INTRODUCTION

1.1 This report commences the process of monitoring progress on the Trust's Capital Programme/Plan for the period 2017/18 to 2021/22. It considers the position at the end of June 2017 and outlines the major changes since approval of the 2017/18 Capital Programme and 5 Year Capital Plan by the Trust Board in April 2017.

1.2 As reported at plan stage, the Capital Plan for 2017/18 to 2021/22 does not assume any future I&E surpluses to support the Capital Programme. This reflects the very challenging NHS financial climate. Similarly, as at the plan stage, the latest 5 Year Plan includes an assessment of future needs for significant schemes at £6m pa. The £6m sum for 2017/18 has now been incorporated into the Capital Programme.

1.3 The current cumulative plan over-commitment over the period, at £12.8m, is an improvement of £1.4m on the plan position at April, reflecting the STF incentive monies received at the end of the 2016/17 Financial Year offset by recognition of the element of the Hadfield PFI Unitary Charge which relates to capital Lifecycle Assets. The annual and cumulative position from year three of the plan remains of concern, although approval of a potential loan to support the RHH Theatre Refurbishment programme may help mitigate the position.

1.4 However, Appendix A includes a list of "probable" and "possible" schemes which are not yet included on the Capital Programme/Plan but require further consideration. The potential for capital requirements in excess of the £6m pa planning sum remains significant and work to achieve an overall balanced position will necessitate difficult decisions on the likelihood of additional funding, scheme prioritisation and investment timings.

1.5 The current capital expenditure plan for 2017/18 stands at £51.1m which is a hugely challenging programme, comprising many complex operational and logistical issues.

2. OVERVIEW OF THE CAPITAL PROGRAMME AND PLAN

2.1 The approved capital programme for 2017/18 – 2021/22 as per Appendix B shows the following position:-

	2017/18 £m	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Funding Available	49.6	33.2	28.7	28.8	29.2
Expenditure Plan	(51.1)	(28.4)	(28.5)	(27.0)	(26.2)
Under/(Over) Commitment	**(1.5)**	**4.8**	**0.2**	**1.8**	**3.0**
Cumulative Under/(Over) Commitment		**3.3**	**3.5**	**5.3**	**8.3**

2.2 The Capital Plan at Appendix A then reflects further assumptions and, whilst there is a manageable position for 2017/18 and 2018/19, it shows a growing level of over-commitment over the following three years to a level of £12.8m by 2021/22. There is also a significant risk that demand for capital investment will exceed the assumed provisions in the current Plan.

2.3 The position for 2017/18 remains manageable. However, with a planned over-commitment of just £0.9m at this stage of the year, and a high level of resource not yet allocated to specific IT schemes, action to prevent significant levels of slippage will be necessary. Appendix C provides an update on the current quantified potential risks of cost adjustments anticipated on existing schemes. These show a minor net saving. However, the summary also highlights a significant net level of possible slippage (£7.3m) to 2018/19 on which action needs to be taken.

2.4 Emerging plans to deliver a NGH Modular Ward scheme (to provide decant wards) will need to be progressed at a significant pace to utilise part of the remaining Service Development allocation.

2.5 The Capital Programme includes a number of high priority schemes which have recently received approval. These include:

- Replacement NGH CT Scanner (with additional cardiac capability) - £1.0m
- Replacement Plain Film Rooms x6 - £2.2m
- Replacement Fluoroscopy Equipment x 4 - £2.3m
- Frailty Unit - £2.7m
- RHH Minor Operations Suite - £0.8m

3. ADDITIONAL FUNDING

3.1 The assumed funding in the 2017/18 Capital Programme consists of:

- Internally generated resourced of £28.8m from forecast depreciation (net of around £2.5m of loan repayments).
- Application of the 2014/15 I&E Surplus - £6.1m
- £13.7m from reinvestment of the programme underspend from 2016/17.
- £1.0m from "donations" and forecast VAT recovery.

3.2 Other than the roll-forward of the 2016/17 underspend, there has been a very small increase in funding from plan stage of around £73k, reflecting additional sale proceeds and donated equipment.

3.3 The £4.6m 2016/17 STF Incentive and Bonus funds received at the end of the last financial year have be profiled into 2018/19 Capital Programme resources.

4. CHANGES TO APPROVED PROGRAMME

4.1 There have been many changes to approved expenditure since the Programme was approved due to new scheme approvals, year end re-profiling, allocation of specific schemes from the ring-fenced envelopes and cost updates on planned schemes.

4.2 The originally planned expenditure of £41.5m has increased to £51.1m. This is due to slippage from 2016/17 of £3.5m, release of the 2017/18 Service Development sum of £6.0m, inclusion of Hadfield Lifecycle Assets £0.4m and transfer of £0.5m EMP revenue funding to capital, offset by slippage to 2018/19 of £0.8m.

4.3 Slippage from 2017/18 largely comprises RHH Lifts and RHH replacement generator slippage, offset by the advanced replacement of the NGH CT Scanner.

4.5 New scheme approvals have been highlighted at paragraph 2.5 above.

5. FURTHER RISKS AND CONTINGENCIES

5.1 Appendix C identifies the quantified major risks to the capital position.

5.2 Other risks to delivering the 2017/18 Capital Programme and subsequent years are:

- The current £12.8m over commitment on the 5 Year Plan which may be increased by further unavoidable schemes (see Appendix A) – **High Risk**. Mitigating actions include
    - Attracting PDC/STP funding
    - Loans/Leases.
    - Use of working capital balances (if available)
    - Additional charitable donations
    - Further reducing ring-fenced budgets/scheme approvals

- Increased costs for existing schemes – **Medium/High Risk**. Mitigating actions include robust case scrutiny, tight management of scheme specifications and firm cost control as schemes progress.

- Risk of slippage on 2017/18 schemes, due to operational and logistical barriers inherent in managing a major programme of £50m whilst maintaining patient services – **High Risk.** Mitigating actions include tight planning and forecasting, prompt actions in developing and finalising schemes and identification/approval of options to advance schemes where slippage occurs.

- Poor prioritisation of potential schemes – **Low Risk.** Mitigating actions include good strategic, business and capital planning with a clear understanding of the environment and close working with Directorates.

- IT Programme and Theatre scheme risks including scheme progression/delivery, financial planning, operational change and transition – **High Risk.** Mitigating actions will include strong governance arrangements, developing knowledge and skills within the organisation, excellent planning and good communication.

- National capital funding limitations require the Trust to restrict capital expenditure – **Medium Risk.** Whilst no indications have been made to date, mitigating action will include submitting clear plans to NHS Improvement, good internal capital planning/control and good communication with NHSI throughout the year.

5.3 Prioritisation against the ring-fenced budgets for 2017/18 is well progressed, although several IT scheme approvals have yet to be finalised. The solution for NGH and RHH decant wards also to be finalised to understand the call on available Service Development funding during the year.

5.4 Business planning/capital prioritisation and “value engineering” will also be critical in order to secure maximum value for money from constrained capital funding. Revenue affordability will also remain a key issue.

6. BUSINESS CASES

6.1 The Capital Programme at Appendix B formally identifies the status of all current capital schemes.

6.2 Fees have been allocated for work in developing Business Cases for the following schemes:

- WPH Upgrades
- PET-MRI Facility
- Hyper Acute Stroke Unit
- NGH Modular Wards
- Major Trauma Ward
- NGH Herries Road Entrance

6.3 Since the Capital Programme and 5 Year Plan were approved at the Trust Board meeting in April, the following schemes have formally commenced:

- NGH Plain Film Room Equipment
- NGH Cataract Unit
- Frailty Unit
- RHH Lifts

6.4 A small number of schemes have also been completed (or will complete shortly) since the Capital Programme and Plan were approved in April, with the most notable being:

- Replacement Cath Lab B
- Wycliffe House Refurbishment
- Additional Car Parking

7. RECOMMENDATIONS

The Board of Directors is asked to:-

7.1 Approve the latest 2017/18 Capital Programme and note the future over-commitment on the 5 Year Plan which will need to be addressed.

7.2 Note the list of “probable” and “possible” schemes on the 5 Year Plan at Appendix A which, along with other schemes which will emerge over the five year period, will require further consideration and careful prioritisation.

7.3 Note the risks outlined in Section 5 above and the need to continue to identify additional capital resources for future years.

7.4 Note the importance of capital planning/prioritisation and “value engineering” in securing maximum benefits from limited capital and revenue funding.

Neil Priestley
Director of Finance
July 2017