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SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS MEETING

HELD ON 15th JANUARY 2014

Subject	2013/14 to 2017/18 Capital Programme – Quarter 3 Update
Supporting TEG Member	Neil Priestley
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Status[1]	A/N

PURPOSE OF THE REPORT

To provide an update on the 2013/14 Capital Programme and 5 Year Capital Plan.

KEY POINTS

1. The Capital Programme remains manageable for 2013/14, but then moves into an increasing over committed position for the following four years.
2. This over-committed position is likely to be addressed in the short-term by resources generated from the planned 2013/14 I&E surplus but then exacerbated as new schemes emerge over the five year period.
3. Significant funding solutions for future years of the programme remain to be found.
4. Capital planning/prioritisation and scheme “value engineering” continue to be crucial in securing maximum value for money from limited resources.
5. Action may need to be taken to ensure that an acceptable position, with no loss of PDC funding, is achieved for 2013/14.

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 15th JANUARY 2014

2013/14 TO 2017/18 CAPITAL PROGRAMME – QUARTER 3 UPDATE

1. INTRODUCTION

1.1 This report continues the process of monitoring progress on the Trust's Capital Programme for the period 2013/14 to 2017/18. It considers the programme position at the end of December 2013 and details the major changes since the last approval of the Capital Programme in mid October 2013.

1.2 The Capital Plan for 2013/14 to 2017/18 now assumes that the planned I&E surplus for 2013/14 will be delivered and redeployed into the 2014/15 Capital Programme. However, there is no assumption of I&E surpluses to support the Capital Programme beyond the current financial year given the financial environment ahead. In conjunction with the need to make a significant increase in investment in the Information Technology infrastructure of the Trust, and emerging new pressures, this continues to lead to a significantly over-committed plan for the five year period.

1.3 Appendix C identifies "possible" and "probable" schemes which are not yet included on the Capital Programme but which require further consideration. The early 2014/15 capital planning work shows that capital demands exceed available resources by a significant margin over the 5 Year Plan period. Maintaining a balanced position will therefore necessitate difficult decisions on prioritisation and investment timings.

1.4 Many immediate priorities for investment focus around IT schemes such as Clinical Portal, Electronic Patient Record (including E-Prescribing), Document Management System, PACS Renewal, and exploiting the Wi-Fi network. However, demand in respect of more traditional schemes remains significant, particularly upgrade work at RHH Theatres.

1.5 Details of the Community Services assets transferred to the Trust from the former Sheffield PCT are being finalised but in net book value terms, total around £8m. Delays have been experienced due to a lack of comprehensive PCT data. On completion, the Capital Programme will be updated for additional resources and increases to relevant ring-fenced envelopes. This is planned in the next few weeks.

2. OVERVIEW OF THE CAPITAL PROGRAMME AND PLAN

2.1 The capital programme for 2013/14 – 2017/18 as Appendix A shows the following position:-

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Funding Available	44.0	25.3	25.3	25.3	25.3
Expenditure Plan	(42.9)	(29.5)	(28.7)	(28.6)	(25.3)
Under/(Over) Commitment	**1.1**	**(4.2)**	**(3.4)**	**(3.3)**	**0.0**
Cumulative Under/(Over) Commitment		**(3.1)**	**(6.5)**	**(9.8)**	**(9.8)**

2.2 As throughout 2013/14, the Capital Programme reflects a manageable position for the year, but a growing level of over-commitment over the following four years to 2017/18. The over-committed 5 year capital programme position is largely due to the increased investment in IT. Funding solutions for future years still remain to be found.

2.3 The cumulative programme over-commitment of £9.8m has remained static since Q2. Bids for potential future capital programme funding in relation to the Technology Fund have been placed into Phase 2 and will not be confirmed until 2014/15. A small bid for Nurse Technology Funding will be made in mid January 2014. Possible funding for these bids is not yet included in the programme.

2.4 There are currently no assumptions of further loans within the programme, although this remains an option for the right scheme in the right circumstances. However, it should be noted that existing loans, PFI and finance lease arrangements currently utilise just over £2m per annum of capital funding for repayments.

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

- Community Services Estate Rationalisation - £1.0m
- Endoscopy upgrade schemes for JAG accreditation - £0.3m
- Mobile Device Management Software - £0.2m

2.6 Planning sums also remain identified for the following schemes which have not yet been approved. These sums have been re-profiled into 2014/15 but will be reconsidered as part of the 2014/15 planning round:

- Unscheduled Care Centre
- Specialised Rehabilitation Accommodation

2.7 Appendix B provides an update on the current quantified potential risks or cost adjustments anticipated on existing schemes. This highlights a number of schemes where potential savings are being clarified (£0.7m) **and also a significant level of possible slippage (£6.2m) to 2014/15**. This includes around £1.6m in relation to Ward Refurbishment plans where it is almost guaranteed that slippage will occur.

2.8 As the Trust has received £2.9m PDC funding for the year, and current indications are that usual national funding protection rules will apply, contingency actions will be progressed where required to offset the slippage risks.

3. ADDITIONAL FUNDING

3.1 The assumed funding in the 2013/14 Capital Programme consists of:

- Internally generated resourced of £24.5m from forecast depreciation net of around £2.0m of loan repayments.
- £6.7m from reinvestment of the 2012/13 I&E cash surplus and £7.7m of programme underspend from 2012/13
- £2.9m national Public Dividend Capital funding (to be spent by 31 March 2014), secured for investment in the NGH Low Temperature Hot Water System.
- £2.2m from “donations” and forecast VAT recovery.

3.2 A further update on the level of internally generated resources will be produced as part of the long term depreciation revisions within the next few weeks. However, the following changes to funding available have been made to the Programme since Q2:

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Funding Available at Q2	43.9	25.3	25.3	25.3	25.3
Additional PDC Funding re Energy Efficiency	0.1				
Total Confirmed Funding	**44.0**	**25.3**	**25.3**	**25.3**	**25.3**

4. <u>CHANGES TO APPROVED PROGRAMME</u>

4.1 There have been many further changes to approved expenditure since Q2, arising from new scheme approvals, allocation of specific schemes from the ring-fenced envelopes and cost updates on planned schemes.

4.2 An analysis of the net changes, excluding the allocation of the specific schemes from the ring-fenced envelopes, is as follows:-

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Expenditure as at Q2	45.0	27.3	28.7	28.6	25.3
Deanery funding applied to equipment/capital schemes	0.4				
Savings on Existing Schemes	(0.2)				
Transfer of capital costs to revenue re IT schemes	(0.1)				
Re-profiling of existing schemes	(2.2)	2.2			
Total Expenditure Plan	**42.9**	**29.5**	**28.7**	**28.6**	**25.3**

4.4 Savings on existing schemes consists mainly of savings on the Histopathology Tele-links scheme and Wi-Fi Schemes.

4.5 Re-profiling of existing schemes largely relates to:

a) Slippage to 2014/15 on:

- Ward Refurbishment plans (revised from RHH Ward H2 to P2) - £1.1m
- New Corporate Desktop - £1.3m
- Other IT schemes, ICE –Order Comms, ICE –Blood Tracking and WPH Wi-FI - £0.4m
- Microbiology Car Park -£0.3m
- Redevelopment Nuclear Medicine Therapy Suite - £0.2m

b) Advance from 2014/15 in respect of:

- Minor Medical Equipment replacement programmes - £0.5m
- Chesterman Lifts - £0.1m
- Endoscopy JAG - £0.3m
- Clinical Skills Refurbishment - £0.2m

5. FURTHER RISKS AND CONTINGENCIES

5.1 Appendix B identifies the quantified major risks to the 2013/14 capital position.

5.2 Key risks for subsequent years are:

- The current £9.8m over commitment on the 5 year capital plan which is likely to be compounded by additional critical or unavoidable schemes arising during the period (as per Appendix C). Of major concern is the emerging significant scheme(s) in relation to Theatre environments. Mitigating actions include:

    - Generating I&E surpluses over the 5 Years.
    - Use of working capital balances.
    - Additional charitable donations.
    - Attracting PDC funding (e.g. Technology Fund).
    - Reducing the Major Equipment Budget shortfalls in 2015/16 and 2016/17.
    - Reducing ring-fenced budgets and/or not carrying forwards unutilised 2013/14 ring-fence budgets.
    - Loans.

- Increased costs for existing schemes. Mitigating actions include tight management of scheme specifications, firm cost control and, if necessary, identifying other funding sources and/or reprioritising schemes within the Capital Programme (including those listed at section 2.6 above).

5.3 Robust business planning/business case production, challenging capital prioritisation and "value engineering" on all schemes will be crucial given constrained capital funding. Revenue affordability will also remain a key issue.

6. BUSINESS CASES

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

6.2 Schemes still to be approved but with quantified planning sums within the Capital Programme are listed in section 2.6 above. Additionally, fees have been allocated for work in developing Business Cases for the following schemes:

- Technology for Transformation Programme
- Reconfiguration of CCU/Firth 7 (possibly part Charitable)
- 5th MRI
- RHH Theatres Refurbishment

6.3 Since the last update on the Capital Programme and 5 Year Plan, the following schemes have formally commenced:

- 2nd NGH Vascular Angiography room upgrade
- Theatre Lights replacement programme
- Urology OPD

6.4 The most notable schemes completed since the Q2 update are:

- Surgical Robot - £2.2m
- WPH Complex Therapies Unit – £0.9m

7. RECOMMENDATIONS

The Board of Directors is asked to

7.1 Approve the latest 2013/14 Capital Programme and note again the significant over-commitment on the 2014/15 to 2017/18 position, which will need to be addressed.

7.2 Note the list of “possible” schemes at Appendix C which, along with other likely schemes which emerge over the forthcoming planning round and five year period, will require further consideration and careful prioritisation.

7.3 Note the risks as per Appendix B and the need to continue to generate additional resources for future years and/or identify any affordable opportunities to secure additional capital funding.

7.4 Continue to support the capital planning/prioritisation and “value engineering” work that are essential in securing maximum value for money from the existing level of capital and revenue funding.

Neil Priestley
Director of Finance
January 2014