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SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

EXECUTIVE SUMMARY

REPORT TO THE BOARD OF DIRECTORS MEETING

HELD ON 19 OCTOBER 2011

Subject	2011/12 to 2015/16 Capital Programme – Quarter 2 Update
Supporting TEG Member	Neil Priestley
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Status[1]	A/N

PURPOSE OF THE REPORT

To provide an update on the 2011/12 Capital Programme and 5 Year Capital Plan.

KEY POINTS

1. The 5 Year Plan/Capital Programme remains in balance to 2014/15 with an under commitment in 2015/16.
2. There is no flexibility for any further significant schemes until 2015/16.
3. There is currently an under commitment in 2011/12 but work is continuing to avoid slippage and agree potential advancements opportunities where possible.
4. Possible risk of lost funding due to slippage following newly announced PDC funding.
5. Capital planning/prioritisation and scheme "value engineering" continue to be crucial in securing maximum value for money from limited resources.

IMPLICATIONS[2]

Achieve Clinical Excellence	Enabler of quality, efficiency, etc.
Be Patient Focused	Enabler of quality, efficiency, etc.
Engaged Staff	Enabler of quality, efficiency, etc.

RECOMMENDATIONS

As per Section 7 of the report.

APPROVAL PROCESS

Meeting	Presented	Approved	Date

[1] Status: A = Approval
A* = Approval & Requiring Board Approval
D = Debate
N = Note

[2] Against the three pillars (aims) of the STH Corporate Strategy 2008-2012

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

2011/12 TO 2015/16 CAPITAL PROGRAMME – QUARTER 2 UPDATE

1. INTRODUCTION

1.1 This report continues the process of monitoring progress on the Trust's Capital Programme for the period 2011/12 to 2015/16. It considers the position as at early October 2011 and also details the major changes since the Quarter 1 update in July.

1.2 All proposed high priority schemes with an appropriate level of advancement, plus any agreed adjustments to ring fenced envelopes, are reflected in the Programme.

1.3 The Programme continues to be broadly in balance to 2014/15. However, within that position there is currently a £3.2m under commitment in 2011/12 and a £7.8m over commitment in 2012/13 which reduces to a more balanced position over the following 2 years.

1.4 The risk that capital demands exceed available resources remains high, particularly up to 2012/13 where there is already a significant planned over commitment. Development of the A&E Expansion Scheme remains challenging until a clear strategy on the provision of emergency care is determined but indications are that the costs could be significantly in excess of the planned £2m budget. The RHH Endoscopy Decontamination Scheme has also been expanded to cover the potential for 2 additional operating theatres which may again result in additional costs in excess of the current planned budget. Other new requirements are also a clear risk.

1.5 Work to maintain an overall balanced position will need to continue but will necessitate difficult decisions on prioritisation and timing of investments. There is also a risk of losing capital funding, due to slippage on the Programme, following the potential allocation of £10m PDC funding in 2011/12 to develop a National Centre of Excellence for Sports and Exercise Medicine within Sheffield.

2. OVERVIEW OF THE CAPITAL PROGRAMME AND PLAN

2.1 The capital programme for 2011/12 – 2015/16 at Appendix A shows the following position:-

	2011/12 £m	**2012/13 £m**	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**
Funding Available	50.5	28.0	25.1	25.3	25.3
Expenditure Plan	(47.3)	(39.0)	(21.1)	(19.6)	(19.6)
Under/(Over) Commitment	**3.2**	**(11.0)**	**4.0**	**5.7**	**5.7**
Cumulative Under/(Over) Commitment	**3.2**	**(7.8)**	**(3.8)**	**1.9**	**7.6**

2.2 This shows the level of the under commitment in 2011/12 and the over commitment in 2012/13 which is then addressed in 2013/14 and 2014/15. There is a cumulative under commitment of £7.6m in 2015/16 due to there being no formal commitments in that year at this stage.

2.3 The Capital Programme continues to include planning sums for proposed high priority schemes identified in the 5 year Plan which have still to be formally approved. These include;

- A&E Expansion - £2.0m
- RHH Endoscopy/Decontamination - £2.0m
- 5th MRI Scanner - £1.5m
- Diabetes/Endocrinology Outpatients - £1.0m
- Immunology Car Park - £0.7m
- E-Rostering – £0.7m
- Logistics Review - £0.3m

2.4 Appendix B also provides an update on the current risks anticipated on existing schemes although at this stage the 2011/12 risks are relatively small.

2.5 Given historic slippage levels, the current under commitment in 2011/12 is of concern. Work continues to monitor all pending capital schemes to ensure that they progress as planned and to minimise the risk of slippage. Opportunities to bring forward schemes from 2012/13 are also being pursued to maximise the use of resources available in 2011/12 and these are identified in Appendix B.

2.6 The Department of Health has recently announced plans to allocate £10m to STH to develop a National Centre of Excellence for Sports and Exercise Medicine within Sheffield to coincide with the start of the 2012 Olympic Games. The funding has been confirmed as PDC. Therefore, there could be a risk of losing funding as a consequence of scheme slippage. There is a further concern relating to PDC funding provided to NHS Sheffield in 2011/12 to fund refurbishment of community properties if the schemes are not completed in 2011/12 and the relevant properties transfer to STH from 1st April 2012.

3. ADDITIONAL FUNDING

3.1 The Quarter 1 update identified available funding of;

- £22.4m Internally Generated Resources from forecast depreciation and impairment charges
- £10.0m from reinvestment of previous I&E surpluses
- £2.5m from Health Authority allocations for Clinical Skills, projected VAT Recovery and various other "donated" monies
- £15.1m from utilisation of 2010/11 year end underspend in 2011/12.

3.2 An update on the value of the Internally Generated Resources will be produced as part of the 2012/13 Capital Charge Estimates at the end of the calendar year but the following changes to funding available have been made since the Quarter 1 update:

	2011/12 £m	**2012/13 £m**	**2013/14 £m**	**2014/15 £m**	**2015/16 £m**
Funding Available at Quarter 1	50.0	28.0	25.1	25.3	25.3
Additional VAT Recovery	0.4				
Charitable Donations e.g. NGH Courtesy Bus	0.1				
Total Confirmed Funding	**50.5**	**28.0**	**25.1**	**25.3**	**25.3**

4. CHANGES TO APPROVED PROGRAMME AND PLAN

4.1 There have been many changes to approved expenditure since the Quarter 1 update, mainly from allocation of specific schemes from within the ring-fenced envelopes and cost updates on planned schemes. New approvals have been few and of low value.

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

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Expenditure as at Quarter 1	49.4	37.1	21.1	19.6	19.6
Scheme savings	(0.3)				
Re-profiling of existing schemes	(1.8)	1.8			
Total Expenditure Plan	**47.3**	**39.0**	**21.1**	**19.6**	**19.6**

4.3 Re-profiling adjustments of £1.8m consists mainly of slippage on the RHH Endoscopy Decontamination scheme. This is due to delays in determining the requirements for the new unit particularly in terms of the numbers of washer/disinfectors and scopes. Additional design work is also now required to include the potential for 2 additional operating theatres in the same area. Both schemes would require ultra clean environments therefore it was felt practical to develop them together rather than in isolation.

4.4 Scheme savings of £0.3m relate to savings identified from the tendering exercise for the RHH Critical Care Unit although negotiations are still underway which may generate further savings.

5. FURTHER RISKS AND CONTINGENCIES

5.1 Appendix B identifies the major risks to the capital position although the overall quantified risks are fairly minimal at this stage of the year.

5.2 General risks to delivering the 2011/12 to 2015/16 Capital Programme are:

- Pressures on ring-fenced budgets and planning envelopes
- Changes in costs for existing schemes e.g. A&E Expansion and RHH Endoscopy Decontamination
- Further slippage on 2011/12 schemes.
- Major, urgent new schemes, which are not yet within the programme.
- Operational and logistical barriers inherent in managing a major programme whilst maintaining patient services.
- TCS demands in future years.
- Reducing resource availability given public spending constraints.

5.3 Prioritisation against the ring-fenced budgets for 2011/12 is now largely complete and the majority of funding has been allocated although there remains an issue with the replacement MRI Scanner which will be funded from the Major Equipment envelope. Part of the Ward Refurbishment budget also remains unallocated although it is hoped that this will be used to part fund a scheme on Q2 later this financial year.

5.4 Work is underway to develop a Major Equipment Group with overall responsibility for managing the relevant ring fenced envelope. Refinement of the plans for the Service Development envelopes also continues as schemes emerge/progress.

5.5 Despite year-by-year under/over commitments within the Capital Programme, the overall position up to 2014/15 means that there is minimal scope for any further major schemes over the next 4 years unless further resources are attracted/generated. The existing PACS contract ends in April 2013 which could cause a potential future cost pressure as it is not factored into the current Capital Programme. Potential Neurosciences development proposals also need to be taken into consideration as these are also not reflected in the current Programme.

5.6 All opportunities for identifying additional funding through leases, loans, donations, or I&E surpluses are also being considered. Capital Planning/prioritisation and "value engineering" work is also crucial in order to secure maximum value for money as capital funding inevitably becomes constrained over the coming years. Revenue affordability also remains 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 2.3 above but fees have also been approved to consider the feasibility or develop Business Cases for the following schemes:

- E-Prescribing
- Refurbishment NGH MEC
- Joint Research Office
- University Cold Room – K Floor (University Funded)
- Future Energy Systems
- Immunology Car Park
- Jessop Wing Reception (Charitable)
- WPH Complex Therapies (Charitable)

6.3 Since the Quarter 1 update the following schemes have formally commenced:

- Medical Equipment Replacement Programmes;
  - Patient Monitors - £1.7m
  - Ultrasounds - £0.8m
  - Mobile X-Ray Equipment - £0.4m
- Replacement Cath Lab C - £1.0m
- Renal Information System - £0.4m
- Orthopaedic Reconfiguration - £0.4m
- Brachytherapy PDR System - £0.3m
- Case Note Tracking - £0.3m
- Contact Centre - £0.1m
- Bereavement Centre - £0.1m

Approval has also been given to proceed to OJEU for the NGH Pharmacy Automation/Upgrade scheme at an estimated cost of £0.9m.

6.4 Start-on-site has now been achieved on the RHH Critical Care, NGH Car Parking and NGH Ultrasound schemes. Tenders have been received for the Brearley Medical Outpatients scheme and it is expected that work will start in November.

6.5 A number of schemes have also been completed this quarter with the most notable being;

- 2nd Gamma Knife - £3.4m
- Clinical Skills RHH - £2.3m
- Urology Lithotripter - £0.5m

7. RECOMMENDATIONS

It is recommended that:-

7.1 The latest 2011/12 Capital Programme and 2012/13 to 2015/16 positions as detailed in Appendix A are approved and risks as per Appendix B noted.

7.2 Continued support is given to the capital planning/prioritisation and "value engineering" work that are essential in securing maximum value for money from the existing level of capital funding.

7.3 Any opportunities to secure additional and affordable capital funding are identified and maximised.

7.4 The possible risk from the potential PDC funding is noted.

Neil Priestley
Director of Finance
October 2011