







Trust Board Report

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| Meeting Date: | 25 April 2016 |
| Title: | Capital Programme 2016/17 and Five Year Capital Programme 2016/17 – 2020/21 |
| Executive Summary: | This report seeks approval of the Trust's Capital Programme for 2016/17 and notes the proposed Five Year Capital Investment Plan covering the period to 2020/21, pending update of the Long Term Financial Plan. This report excludes PFI additions. |
| Action Requested: | To approve the 2016/17 Capital Programme and note the proposed Five Year Capital Investment Plan. |
| Report of: | Mike Goodwin, Head of Estates Development |
| Author: Contact Details: | Mike Goodwin Tel 01902 695947 Email mikegoodwin@nhs.net |
| Resource Implications: | The Five Year Capital Programme is aligned to the annual Capital Resource Limits to 2018/19, contained within the MSFT Acquisition Business Case, Long Term Financial Model and is subject to Overall Financial Strategy review and update. The planned Programme is valued at £107,403,299 over 5 years to be funded from depreciation, Trust Retained Earnings, Public Dividend Capital and potentially Loan resources. The Five Year Plan will be brought back to the Board following review and update of the Long Term Financial Plan. Additionally, as a cash mitigation plan against the cash risk for 2016/17 a contingency plan for re-phasing or reduction in Capital spend will be produced for the Finance and Performance Committee consideration. |
| Public or Private: (with reasons if private) | Public Session |
| References: (eg from/to other committees) | Capital Review Group Attachment 1 – Capital Programme 2016/17 Attachment 2 – Five Year Capital Programme to 2020/21 |
| Appendices/ References/ Background Reading | See attached |

NHS Constitution:
(How it impacts on any decision-making)

In determining this matter, the Board should have regard to the Core principles contained in the Constitution of:

-  Equality of treatment and access to services
-  High standards of excellence and professionalism
-  Service user preferences
-  Cross community working
-  Best Value
-  Accountability through local influence and scrutiny

Background Details

Attachment 1 provides a summary of the major projects and categories of spend for the Five Year programme from 2015/16 to 2019/20 together with the funding assumptions. The plan assumes a total spend of £107,403,299 over the five year period. Attachment 2 provides supplementary information for the Capital Programme for 2016/17 which is valued at £28,351,893 with a current over- commitment of £463,893.

The categories contained within the plan are Medical Equipment, IT and Divisional Bids, Statutory Standards/Improvement of Retained Estate and Major Schemes/Initiatives. The requirements for Capital are significantly in excess of the allocation and the indicative allocations in the attached programme have already been subject to prioritisation. It is however likely that further changes to the programme will be required in order to bring the programme into balance.

The detailed profile of expenditure across the projects within these categories for the Five Year Plan is shown in Attachment 1 and can be summarised as follows:

Medical Equipment, IT and Divisional Bids

- *Medical Equipment Replacement* – There is an allocation of £2.5m in Year 1 of the plan (with an additional £0.8m for haemodialysis) followed by £1.5m in each of the following four years. There is significant pressure on the programme with the short-fall is being managed via an appropriate Risk Prioritisation process.
- *IM&T* – Total of £1.2m in Year 1 rising to £1.5m in the following four years but with significant pressure on the allocation given the focus on IT solutions and infrastructure to create greater efficiencies.
- *Divisional Bids* – Divisions have been allocated £1m in each of the first two years, rising to £2m per year in the following three. This again will require significant prioritisation.
- *Ward Refurbishment* – £1.5m has been allocated to commence a Ward Refurbishment project now that we have the potential for decant capacity. Also an allocation of £0.5m for the refurbishment of the Renal Unit at CCH.
- *Theatre Refurbishment* – This continues the programme of refurbishment of the theatres at New Cross.

Statutory Standards and Improvement of Retained Estate

An increased allocation has been made towards the improvement of the retained estate at both New Cross and Cannock together with completing the due diligence works at CCH identified as part of the Acquisition Business Case. An allocation of £1.2m has also been made for works in Community properties.

Major Schemes -

- *Stroke Unit* – an allocation of £2m has been identified for 2017/18, albeit there is as yet no plan in place at present as to its design.

- Replacement of 3rd Cath Lab – given pressure on the programme, the replacement of the 3rd Cath Lab has been deferred into 2017/18.
- Inpatient Bed Development – the New Cross Master plan identified that the next significant development on the site following the completion of the UECC would be the creation of a new inpatient bed block adjacent to the UECC. This is included within the plan, although only partially funded, with design starting in 2017/18 and construction over the following two years. A total of £16.3m has been allocated within the plan meaning that at least £15m of external funding will be required.
- Outpatient Reconfiguration at New Cross – a total of £2m has been allocated to remodel the former A&E area to a new Outpatient facility.
- CCH Level 2/Level 3 works – a total of £3.8m has been allocated for the completion of the remaining works on Level 3 at CCH and the redevelopment of OPD and Assessment on Level 2.
- Incinerator – Assessment of the potential replacement options is progressing including alternative off-site disposal strategies. It should be noted that the solution contained in the Plan is for a funded CEF solution and as such its removal from the programme would not impact on the overall capital position.
- Linac Replacement Programme – the full cost of the Linac replacement programme over four years, including CT scanners and planning system, is c£16m.

As can be seen from the funding position the Five Year Programme is broadly in balance but will require re-prioritisation/alternative funding/cash loans to ensure sufficient cash is available for the proposed investment.

The 2016/17 Capital Programme has already been constrained with bids and schemes being prioritised and it would be challenging to further reduce the Programme. On 11 April the Board agreed the £28m Capital Expenditure Plan, noting further review of the funding, following the agreement of the Programme and the formal approval of the Income and Expenditure Deficit Plan of £6.3million, including a further reduction in depreciation available for cash funding of the Capital Programme.

The original indicative funding stream used in the MSFT Acquisition Business Case, which provided the Plan to 2018/19, and quoted in the attachment to this report, was prior to the “technical” depreciation change in asset lives impact, taken to 2015/16 CIP recurrently. Thus, in real cash terms, that level of cash is now reduced by circa £6m, following agreement by the Board on 11th April to further review the asset lives methodology.

The case assumed circa £20million, however, due to the significant upfront investment by the Trust in MSFT services, the capital cash was recouped via future years depreciation, circa (£1million) reduction per year. Thus, the Business Case indicative future years capital funding was shown at circa £19m.

The annual depreciation budget has been set at circa £16million, net of PFI depreciation required to cash fund the unitary payment, funding available for the 2016/17 Capital Programme is circa £15million. This is without any claw back of MSFT related capital funds.

Based on the £28m 2016/17 Capital Programme, the Trust will now need to utilise circa £4.5million in 2016/17 from its cash baseline balance to fund the Programme. However, given the current financial position, including the need to cash support the agreed deficit and achieve a significant Cost Improvement Programme, the Trust cash position will remain a challenge to achieve. On this basis, a contingency plan for re-phasing or reduction in Capital spend will be produced for the Finance and Performance Committee consideration, as a cash mitigation plan against risk.

The Trust will also need to undertake a review of its Longer Term Financial Strategy in relation to Capital and in particular consider funding options against the requirements of the Five Year Capital Plan, as Loans facilities will need to be considered to fund the current levels of capital required within this 5 year capital plan proposal.

Outline Five Year Capital Plan - 2016/2017

| 5 Year Capital Expenditure Prediction | 2016-17 Total £ | 2017-18 Total £ | 2018-19 Total £ | 2019-20 Total £ | 2020-21 Total £ | Notes |
|---|-------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| <i>Depreciation and revenue</i> | 19,388,000 | 19,224,000 | 19,087,000 | 20,000,000 | 20,000,000 | |
| <i>Brought Fwd - Underspend from 2015/2016</i> | 0 | 0 | 0 | 0 | 0 | |
| <i>Charitable/Additional Revenue Funding Potential</i> | 700,000 | 200,000 | 200,000 | 200,000 | 200,000 | |
| <i>Additional funding source - linac lease</i> | 2,000,000 | | | | | |
| <i>Additional fundinmg source - incinerator assumed via CEF but subject to option appraisal</i> | 2,500,000 | 0 | 0 | 0 | 0 | |
| <i>Additional funding source - revenue / capital transfer</i> | 2,500,000 | | | | | |
| <i>Additional funding source - WEI sale income</i> | 800,000 | | | | | |
| | | | | | | |
| INDICATIVE TOTAL FUNDING - subject to LTFM update | 27,888,000 | 19,424,000 | 19,287,000 | 20,200,000 | 20,200,000 | 106,999,000 |
| | | | | | | |
| EQUIPMENT, IT, DIVISIONAL BIDS & MINOR SCHEMES | | | | | | |
| Medical equipment replacement (includes 750k c/f from 15/16 in 16/17) | 3,249,748 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | |
| IM&T | 1,117,147 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | |
| IM&T - PC Replacement | 567,000 | 500,000 | 500,000 | 500,000 | 500,000 | |
| Haemodialysis equipment replacement | 808,425 | 800,000 | | | | |
| Bids from divisions / minor works schemes | 1,511,030 | 1,000,000 | 2,000,000 | 2,000,000 | 2,000,000 | |
| Agile working | 300,000 | | | | | |
| Radiology equipment replacement - CCH | 500,000 | | | | | |
| Ward refurbishment programme - All sites | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 | |
| Ward refurbishment - Renal Unit - CCH | 500,000 | | | | | |
| Theatre refurbishment programme - All sites | 500,000 | 500,000 | 500,000 | 500,000 | 500,000 | |
| | | | | | | |
| TOTAL EQUIPMENT, IT & DIVISIONAL BIDS/MINOR SCHEMES | 10,553,350 | 6,800,000 | 7,000,000 | 7,000,000 | 7,000,000 | |
| | | | | | | |
| EFM / STATUTORY STANDARDS / IMPROVEMENT OF RETAINED ESTATE | | | | | | |
| EFM/Statutory Standards (fire) | 500,000 | 300,000 | 500,000 | 500,000 | 500,000 | |
| Improvement of Retained Estate (Backlog maintenance) - NX | 2,129,695 | 2,000,000 | 2,500,000 | 2,500,000 | 2,500,000 | |
| Improvement of Retained Estate (Backlog maintenance) - CCH | 320,000 | 750,000 | 2,000,000 | 500,000 | 500,000 | |
| Due Diligence - CCH (lifts / electrical / med gases) | 1,100,000 | 300,000 | 349,000 | | | |
| Community properties | 403,004 | 300,000 | 500,000 | | | |
| Women's Unit Drainage - Phase 2 | 200,000 | | | | | |
| Steam main | 650,000 | | | | | |
| Carbon reduction | | | 200,000 | | | |
| | | | | | | |
| TOTAL EFM / STATUTORY STANDARDS / IMPROVEMENT OF RETAINED ESTATE | 5,302,699 | 3,650,000 | 6,049,000 | 3,500,000 | 3,500,000 | |
| | | | | | | |
| MAJOR SCHEMES | | | | | | |
| Stroke Unit | | 2,000,000 | | | | |
| Radiopharmacy | | | | 1,000,000 | | |
| Replacement of cath lab 2 (3rd cath lab to be replaced) | | 1,000,000 | | | | |
| Inpatient bed development | | 3,150,000 | 6,150,000 | 7,000,000 | | |
| Demolition of Wrekin House & relocation of services | 300,000 | 1,500,000 | | | | |
| Outpatient reconfiguration - NX | 1,000,000 | 1,000,000 | | | | |
| 3rd floor recovery / day case - CCH | 1,509,000 | | | | | |
| 2nd floor OPD / assessment area - CCH | 1,500,000 | 851,000 | | | | |
| Multi-storey carpark | | | | 2,500,000 | | |
| Incinerator | 2,500,000 | | | | | |
| Linac Bunker | 2,550,000 | | | | | |
| Radiotherapy equipment - CT scanner, planning system & other | 1,395,073 | 25,632 | 692,932 | 99,264 | | |
| Radiotherapy equipment - linac | 1,891,771 | 2,645,448 | 2,644,020 | 2,894,110 | | |
| | | | | | | |
| TOTAL MAJOR SCHEMES | 12,645,844 | 12,172,080 | 9,486,952 | 13,493,374 | 0 | |
| | | | | | | |
| Residual Expenditure on completed Projects (offset by VAT reclaim) | (150,000) | (150,000) | (150,000) | (150,000) | (150,000) | |
| | | | | | | |
| TOTAL | 28,351,893 | 22,472,080 | 22,385,952 | 23,843,374 | 10,350,000 | 107,403,299 |
| | | | | | | |
| POSITION AGAINST CRL | (463,893) | (3,048,080) | (3,098,952) | (3,643,374) | 9,850,000 | |

CAPITAL PROGRAMME 2016/2017

| Outcome | CAPITAL PROGRAMME | |
|---|---|--------------------|
| Capital bid line | Scheme name | Total |
| 1. Medical Equipment | Replacement of broken bladder scanners | £14,000 |
| | Replacement of negative pressure isolator in aseptic suite | £29,880 |
| | Medical Equipment - high risk items | £865,816 |
| | Medical Equipment - other equipment (medium risk / cfwd / queries) | £2,340,052 |
| | Replacment of x-ray equipemnt - CCH | £500,000 |
| 1. Medical Equipment Total | | £3,749,748 |
| 2. ICT | Biztalk renewal | £236,057 |
| | Community telephony upgrade | £105,930 |
| | E-prescribe | £264,369 |
| | Fire supression hardware | £13,200 |
| | iPM migration | £358,824 |
| | Public & patient wi-fi | £50,000 |
| | Webfiltering hardware replacement | £88,767 |
| 2. ICT Total | | £1,117,147 |
| 3. PC Replacement | Laptop replacement | £50,000 |
| | PC replacement scheme | £517,000 |
| 3. PC Replacement Total | | £567,000 |
| 4. Haemodialysis Replacement | Haemodialysis equipment replacement | £808,425 |
| 4. Haemodialysis Replacement Total | | £808,425 |
| 5. Divisions | 3MP Dual head radiology workstations for cardiac MRI reporting | £12,011 |
| | Automated track - microbiology (enabling) | £57,000 |
| | CCTV upgrade | £50,000 |
| | Covered area + storage refit in pharmacy | £58,442 |
| | Electronic key cutting machine to support refurbishments | £9,000 |
| | Fees for Cath lab replacement | £60,000 |
| | Fracture clinic - installation of x-ray equipment | £50,000 |
| | Head Impulse Test Equipment (VHIT) | £16,000 |
| | Heart & Lung Centre - Clinical IT System - CARDAAS | £132,400 |
| | Implementation of document & quality control system for Med Physics | £44,000 |
| | Microscope & Suction facility - Children's Hearing Services GEM Centre | £25,000 |
| | Mobile working ACSG | £292,208 |
| | Mortuary fridge compressor system replacement | £100,000 |
| | North carpark | £30,000 |
| | Pallet mover | £10,000 |
| | Replacement ambulance | £30,000 |
| | Replacement of 3 tier lights in 3 cardiac theatres | £90,000 |
| | Safer sleep system | £19,969 |
| | Upgrade of syringe drivers to total anaesthesia systems | £78,000 |
| | Vans to provide continence delivery across city | £55,000 |
| | Beynon instrumentation - resection sets + stacks | £42,000 |
| | Upgrade facilities for audiology | £250,000 |
| 5. Divisions Total | | £1,511,030 |
| 6. Agile working | Agile working | £300,000 |
| 6. Agile working Total | | £300,000 |
| 7. Ward Refurbishment - All sites | Refurbishment of A12 / A14 | £1,500,000 |
| 7. Ward Refurbishment - All sites Total | | £1,500,000 |
| 8. Ward refurbishment - Renal Unit - CCH | Renal Unit Refurbishment - CCH | £500,000 |
| 8. Ward refurbishment - Renal Unit - CCH Total | | £500,000 |
| 9. Theatre refurbishment - All sites | Theatre refurbishment - All sites | £500,000 |
| 9. Theatre refurbishment - All sites Total | | £500,000 |
| 10. Fire | Fire safety upgrades - Block 14, Deansley, CCH | £500,000 |
| 10. Fire Total | | £500,000 |
| 11. Backlog Maintenance NX | Beynon regen kitchen | £25,000 |
| | Boiler House Steam Header Leaks | £160,000 |
| | CCH Hydro Pool Filter replacement | £35,000 |
| | Chimney - CCH | £19,763 |
| | Electrical distribution - Deansley + Pathology | £180,000 |
| | Fire Doors - theatre inc Beynon | £50,000 |
| | Hotwell Deairation/Structural works and rectification | £140,000 |
| | Installation of IPS/UPS - Beynon theatres 1,2,3,4,5 - Ideally Clinical Risk | £400,000 |
| | NX24 25 01 Drainage Works | £40,000 |
| | NX64 + 65 Oriel windows | £200,000 |
| | Old A&E/Theatres LV/HV Professional Fees for replacement sub station and centralisation of distribution | £50,000 |
| | On-going Legionella Compliance Works | £80,000 |
| | Professional fees for Radiology/Maternity Electrical standby supply resilience and replacement project | £25,000 |
| | Relocation of Maternity Medical Gas store and manifold room to basement area | £140,000 |
| | Replacement of obsolete emergency lighting - H&L | £229,932 |
| | Replacement of the DHWS flow rites NX55 | £200,000 |
| | Shower upgrades B8 | £80,000 |
| | T Block / Wrekin House area Electrical Infrastructure & Generator controls enabling works | £50,000 |
| | Waste compactor | £25,000 |
| 11. Backlog Maintenance NX Total | | £2,129,695 |
| 12. Backlog Maintenance CCH | Corridor flooring CCH Repairs | £85,000 |
| | DCW tank replacement at CCH. | £150,000 |
| | Stairwell flooring. | £50,000 |
| | Access equipment | £35,000 |
| 12. Backlog Maintenance CCH Total | | £320,000 |
| 13. Due Diligence - CCH | Due diligence - electrical | £800,000 |
| | Due diligence - lifts | £100,000 |
| | Due diligence - medical gases | £200,000 |
| 13. Due Diligence - CCH Total | | £1,100,000 |
| 14. Community properties | Conversion of office space at Whitmore Reans to clinic room | £16,000 |
| | Other community property improvements | £200,000 |
| | Primrose Lane - conversion of dental space to clinic room | £16,000 |
| | Refurb virtual wards - West Park | £11,004 |
| | Refurbishment of City Centre location for Sexual Health Services | £100,000 |
| | Roof repairs to Coach House at West Park | £60,000 |
| 14. Community properties Total | | £403,004 |
| 16. Steam Main | Steam main | £650,000 |
| 16. Steam Main Total | | £650,000 |
| 19. Linac purchase | Linac purchase | £1,891,771 |
| 19. Linac purchase Total | | £1,891,771 |
| 20. Linac bunker construction | Linac bunker Construction | £2,550,000 |
| 20. Linac bunker construction Total | | £2,550,000 |
| 17. Demolition of Wrekin - enabling | Relocation of case notes from Wrekin | £300,000 |
| 17. Demolition of Wrekin - enabling Total | | £300,000 |
| 18. Radiotherapy Equipment - not linac | CT simulator - radiotherapy planning system | £493,213 |
| | CT/Simulator project (replacement CT/SIMULATOR, CT2) | £760,085 |
| | CT/Simulator project (upgrade of Radiotherapy Patient Mould Room) | £19,950 |
| | Update Mosaiq servers and software | £121,825 |
| 18. Radiotherapy Equipment - not linac Total | | £1,395,073 |
| 21. Major Schemes - other | 2nd floor reconfiguration - CCH | £1,500,000 |
| | 3rd floor reconfiguration - CCH | £1,509,000 |
| | Incinerator | £2,500,000 |
| | Outpatient reconfiguration - NX | £1,000,000 |
| 21. Major Schemes - other Total | | £6,509,000 |
| 15. Women's Unit Drainage | Women's Unit Drainage - Phase 2 | £200,000 |
| 15. Women's Unit Drainage Total | | £200,000 |
| 22. Residual Expenditure | Residual Expenditure | -£150,000 |
| 22. Residual Expenditure Total | | -£150,000 |
| Grand Total | | £28,351,893 |

