

Trust Board Report

Meeting Date:	26 th September 2011
Title:	Capital Programme 2011/12
Executive Summary:	To report progress (as at Month 5) for the 2011/12 Capital Programme. To report variance on project costs where these exceed +/- 10% or £50,000 of business case value.
Action Requested:	Note and comment on.
Report of:	Head of Estates Development
Author: Contact Details:	Mike Goodwin Tel 01902 695947 Email: mikegoodwin@nhs.net
Resource Implications:	Delivery of Capital Programme 2011/12 to Capital Resource Limit. Year end position as at Month 5 identifies an under-commitment of circa £3million.
Public or Private: (with reasons if private)	Public.
References: (eg from/to other committees)	From Capital Review Group 14 th September 2011.
Appendices/ References/ Background Reading	Attachment 1 – Month 5 Progress Report
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: <ul style="list-style-type: none"> ✚ 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

1	The forecast outturn as at Month 5 for the 2011/12 Capital Programme at 31 st March 2012 is £16,453,283. The Capital Resource Limit (CRL) has now been confirmed at £20,240,000. The Month 5 outturn projection equates to a potential under-commitment of £3,786,717. This is due to the delay to the Pathology start on site date. This position has however been improved to circa £3million by bringing forward projects from 2012/13. The start on site date for Pathology has now been confirmed as 26 th September 2011. This delay has resulted in a reduction in the predicted spend in year for
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Pathology of circa £4million and a consequent similar increase in spend in 2012/13.

The actual expenditure position at Month 5 is £1,911,387, a movement of £360,230 in the month and against a target of £3,194,487 which represents a value of £1,283,100 behind plan. The reasons for this are detailed in Attachment 1 but the major contributing factor again is the delay to Pathology.

Detail

Variances exceeding +/- 10% or £50,000 of business case value are detailed in Attachment 1. This position remains the same as that at Month 4.

Risks to the Programme

- Achievement of CRL. Due to the delay to Pathology, the Trust is to discuss with the SHA the potential for reducing the CRL by £3m for 2011/12 and similarly increasing the CRL for 2012/13 by the same value.
- Delivery of bring forward projects identified as a result of Interim Emergency Portal funding release and Pathology delay. The level of risk will depend upon discussions with the SHA on CRL.
- The delay to Pathology has also meant that the works cost for the project (fixed for 6 months only) has been subject to increases due to rising prices in metals and particularly steel. This has resulted in an increase of £295,000+Vat to this element of the cost.

Whilst every endeavour will be made to absorb this within the total budget for the Project, this may result in a budget overspend.

This position will be monitored and reported as necessary.

**Capital Programme Progress Report
August 2011 M5 (Q2)**

Planned Programme Financial Position	Reference	£'s	Narrative
CRL	A	20,240,000	CRL confirmed
Value of Business Cases approved to date Month 5	B	10,852,891	Value approved stated here represents value of spend in year only. Value of Pathology Project which can be delivered in year adjusted to reflect QS assessment for confirmed start on site date of 26th September 2011. However this value is still to be confirmed by Main Contractor.
Variance to CRL	A-B	<u>9,387,109</u>	
Value of projects approved to date	C	10,852,891	86 business cases in total required for defined projects as at 31/8/11, 52 of these approved, 2 deferred and a further 32 scheduled for approval. Additional business cases will be developed for funding released when plan is revised to reflect new position with Pathology Project
Total Value of Projects either delivered or with certainty of delivery by year end	D	13,717,817	
Value of Programme/Projects which carry varying levels of risk of non delivery Previous value - Month 4	D-A	<u>-6,522,183</u>	(£3.79m underspend + £2.73m risk) Plan being reviewed to mitigate as much of this risk as possible by bringing forward projects from 12/13
Change in period		-716,459	(£2.75m underspend + £3.05m risk) £1.1m in month due to Pathology delay. Month 4 value was based on start on site date of 30/8/11, now confirmed as 26/9/11. Some of this mitigated by new projects
Forecast Expenditure Variance to CRL Previous value - Month 4	L L-A M	16,453,283 -3,786,717 17,486,649	Funding to be allocated to bring forward projects where possible. Plan currently being revised. £4m change in projected spend value of Pathology Project in year due to delay.
Change in period	M-L	1,033,366	Due to change in Pathology position

Action required: Ensure business cases are presented for approval as soon as possible. Bring forward projects from 2012/13 to support change in spend profile due to Pathology delay. Confirm capital programme and revised CRL for discussion with SHA.

M5 - Delivery of Capital Programme Financial Position

Commitment/Orders in year	F	6,958,643	Value of Commitments b/f from 2010/2011 = £1,296,850
Value of Commitments in 2011/2012 for expenditure in 2012/2013	G	6,898,506	
Total	F+G	13,857,149	
Variance	(F+G)-A	-6,382,851	
Previous value		-17,855,116	
Change in period		11,472,265	
Action required: Ensure approved projects are delivered to programme.			
Invoiced to date	H	1,519,768	
Work in progress	I	391,618	
Expenditure to date (including fees)	(H+I) = J	<u>1,911,387</u>	
Previous value		1,551,157	
Change in period		360,230	
Value of projects still to be completed against project commitments	(F+G) - J	11,945,762	
Adjusted value (value of projects in line above - 2012/2013 accrual)		0	
Target cash flow expenditure at Month 5	K	3,194,487	
Variance	J-K	-1,283,100	(1) IT schemes -£142k: Acumentive, Vitalpack and ePrescribing & Medicines Management- forecast expenditure not achieved
Previous value		-527,072	(2) Carry Over Schemes -£57k: reduced forecast final costs, and Digital Breast Screening forecast expenditure not achieved.
Change in period		-756,028	(3) Medical Equipment -£53k - Phacovitrectomy machines forecast expenditure not achieved; Orthopaedic Power Tools not included in original plan
			(4) Major Schemes -£987k: Pathology delay to commencement; cancellation of Lodge demolition; Women's Unit Professional Fees incurred earlier than forecast & greater than forecast; Smart Metering forecast expenditure not achieved.
			(5) -£44k: minor expenditure on General Equipment, Statutory Standards, Improvements in the Retained Estate, New Schemes and Residual Expenditure
Action required: Ensure approved projects are delivered to programme.			

Capital Programme Progress Report
 APPENDIX 1 EXCEPTIONS REPORT
 August 2011 M5 (Q2)

Scheme	No.	Business Case	M5 - Total predicted outturn	Variance to between total predicted out-turn and Business Case	Variance to between total predicted out-turn and Business Case	Comments	M4 - M5: Change in period for reported projects	M4 - M5: Reason for change in period for reported projects
Projects that exceed 10% variance or £50k or greater		£	£	£	%		£	
Renal IT Business Case (Proton)	4145	190350	214289	23939	13	Value of Orders greater than Business Case allowance due to requirement for additional servers identified after business case approved	0	n/a - no change from M4 Report
Total				23939				