

TRUST BOARD MEETING – 24 November 2011

Title of the Paper:	Capital Programme Update
Agenda item:	169/11
Author:	Anna Anderson, Director of Finance
Trust Objective:	Provide safe patient care Be financially sound Sustain and improve performance
Purpose To update the Board on the capital programme for 2011/12 and the changes made to include the additional emergency care and maternity projects introduced into the programme.	
Risk Implications for the Trust (<i>including any clinical and financial consequences</i>):	Mitigating Actions (<i>Controls</i>):
Delivery of the capacity projects is essential to manage forecast patient activity levels. This has introduced pressure on the available capital resource	Realistic planning of capital spending.
Level of Assurance that can be given to the Trust Board from the report Limited assurance on planning of capital projects. No negative impact on backlog maintenance spend.	
Links to Board Assurance Framework, CQC Outcomes, Statutory Requirements (ie BAF risk reference, CQC outcomes linked to report) BAF 2136, 2287	
Legal Implications: Due to the pace of some of the work tender waivers have been exercised. This is permitted within the Trust's SFIs.	
Recommendation to the Trust Board: The Trust Board members are asked to note and consider : <ul style="list-style-type: none"> • The substantial progress in delivering the estate infrastructure to support additional patient capacity. • The financial issues that potentially arise from emergency unplanned capital projects. • The capital spending over-commitment and how this will be managed this year and the need to increase 2012/13 planned surplus by £0.5m to cover the increased costs. 	

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Trust Capital Programme 2011/12

1. Introduction

- 1.1 This paper provides an update on the Trust's 2011/12 capital programme.
- 1.2 The paper explains the changes in priorities and provides a summary of progress to date.
- 1.3 The changes and forecast outturn result in an over-commitment; this is explained together with options for managing it.

2. Background

- 2.1 Prior to the start of the year, as part of annual budget setting, the Board approved a capital programme of £9.3m funded through £7.2m depreciation, £1.6m asset sales and £0.5m working balances. (The £0.5m working balances relating to unfinished projects brought forward from 2010/11)
- 2.2 Details of the £9.3m of capital schemes as approved by the Board and changes made are shown in annex A.
- 2.3 The Board is aware of capacity issues that have resulted in changes to the priority of capital works as detailed in this paper.

3. Changes to Capital Programme

- 3.1 Since the start of the year the following changes have been made:
 - Emergency care and maternity investment was agreed to enhance capacity to cope with higher levels of patient activity.
 - The expected capital funding from asset sales was revised.
 - Projects have been delayed to keep capital spending within available funds. These changes do not reduce standards of patient care and decontamination arrangements continue to be safe.

Summary of revisions to the capital programme:

	£m
Delayed spending	
Programme to improve TSSU decontamination arrangements	0.9
Programme to improve Endoscopy decontamination WGH	0.9
Service reconfiguration	0.3
Reduced funding from sale of assets	(0.9)
Total	1.2
New spending	
Maternity expansion	0.6
Equipment relating to Maternity expansion	0.2
Clinical Decision Unit	0.4

Ward capacity for medical admissions	0.5
Total	1.7
Over-commitment	0.5

- 3.2 The reduced funding from asset sales relates to a delayed sale, possibly until 2013/14, and the use of expected profit on the main sale to cover revenue costs.
- 3.3 The over-commitment relates to the three capacity projects each likely to exceed original estimates. This is mainly a consequence of the short time-frame within which each is being delivered and the change in project brief from those initially envisaged.
- Maternity expansion. Capital costs forecast to exceed those in the business case by £100k. Mainly due to higher specification of the transitional care baby area and compliance with relevant standards. Originally the transitional care baby area was planned for mothers and babies close to discharge, now the area will be suitable for babies that may need to be admitted to SCBU.
 - Clinical Decision Unit. Forecast capital costs likely to exceed those initially envisaged by £200k. The design and location has changed increasing patient bays from 4 to 6. The project now includes temporary facilities resulting in the CDU being up and running in 3 weeks rather than 3 months, had this action not been taken.
 - Medical ward capacity. Forecast capital costs likely to exceed those envisaged by £200k. The design has changed mainly as a result of the proposed clinical model. Originally a nurse led model was envisaged but the ward will now be fully equipped with medical gas supply and other related equipment.

4. Managing the capital spending over-commitment

4.1 The following options are available:

- Cancel other aspects of this year's capital programme, for example some backlog maintenance work and/or procurement of replacement of the Trust's IT servers.
 - This is not advisable as it is vital the Trust starts to address the levels of risk carried in its maintenance backlog and the age of its IT infrastructure.
- Instruct the Capital Planning Board to manage the overall capital programme to achieve sufficient slippage to cover the over-commitment.
 - While this is the recommended solution the consequence is that there will be additional capital commitments carried into next year over and above those relating to the delayed spending agreed in the summer (table 3.1).
 - In order to maintain the momentum on estate work, replacement of medical equipment and aging IT infrastructure, this additional commitment should be funded from additional savings next year.

5. Other risks to 2011/12 capital spending plans

- 5.1 The main remaining risk is that spending is partially supported through the sale of assets. Failure to complete the sale(s) will impact on the revenue position in respect to the expected sale profit and the capital position which is the net of spending and asset sales. In terms of capital spending control limits (CRL), if necessary, this may be resolved through agreement with the SHA to ensure the Trust meets this statutory duty.

- 5.2 If the sale does slip, the Trust's cash and liquidity position will be weaker than planned. Cash may be managed through the measures shared with the Finance Committee.

6. Overall Progress with the 2011/12 capital programme

- 6.1 Due to the changes made in spending priorities, and the longer than expected procurement processes for both backlog maintenance and IT servers, spending to date is a lot less than originally planned.
- 6.2 Spending will rapidly increase over the next few months as bills, both for progress to date and completed work, are paid. Annex B lists the projects underway to address some of the backlog maintenance issues.

7. Conclusion

- 7.1 The Board is asked to discuss and note:
- The substantial progress in delivering the estate infrastructure to support additional patient capacity.
 - The financial issues that potentially arise from emergency unplanned capital projects.
 - The capital spending over-commitment and how this will be managed this year and the need to increase 2012/13 planned surplus by £0.5m to cover the increased costs.

Kyle McClelland
Dave Self
Nov 11

			Annex A
	West Hertfordshire Hospitals NHS Trust Capital Programme 2011/12		
	Description of Scheme	Plan Start of Year	Proposed Revision
	Spending Budget	£m	£m
	Endoscopy Compliance	2.1	1.2
	Decontamination Completion	1.0	0.1
	Backlog Maintenance	3.0	3.0
	Emergency Remedial Work	0.3	0.3
	IT	0.8	0.8
	Medical Equipment	0.5	0.5
	Site Rationalisation	0.9	0.6
	Completion of on-going projects	0.5	0.5
	Salaries	0.3	0.3
	Maternity expansion		0.8
	Medical ward capacity		0.5
	Clinical Decision Unit		0.4
	Total	9.3	8.9
	Available Funds		
	Depreciation	7.2	7.2
	Asset Sales	1.6	0.7
	Brought forward from 2010/11	0.5	0.5
	Total	9.3	8.4
	Over-commitment		(0.5)
	Notes:		
	1. Figures may not sum due to roundings		
	2. The level of investment in medical equipment is £1m more than that shown in the table above as in some instances this is included in the scheme cost. For example brought forward spending includes £250k spent on anaesthetic machines St Albans, the maternity expansion project includes £223k of equipment the ward capacity £120k. Endoscopy project £460k on scopes.		

Progress with estate backlog maintenance

Delivery of each of the projects/tasks listed below has started and expected to be completed in the next 6 months. The business justification of a further 19 schemes are near to completion, most of these will be procured through the P21+ partner.

In addition £300k is set aside to undertake unplanned emergency work as at the end of October just over half of this has been spent.

Non P21+ Projects

Repair of the renal corridor St Albans
Repair to the operating theatre floor St Albans
Refurbishment of the toilets Spice of Life
Repair of the nurse call system part of PMOK

P21+ Partner**Replacement Generators at St Albans City Hospital**

Stage 1: IHP are to appoint the relevant PSCM designer(s) / engineer(s) to commence design work with a view to producing a Feasibility / Options Appraisal Report on the potential for replacing the generators at St Albans City Hospital. This Feasibility Report is to embody design work, cost estimates and recommendations. The report must also include consideration of the option to re-use generators which could be salvaged from anticipated replacement works at Watford General Hospital. The Trust are to consider the outcome of the Feasibility / Options Appraisal Report and provide approval to proceed.

Stage 1A: Progress design development, prepare tender documents ready for issue to supply chain and assembly of Pre-Tender Estimate (or 'forecast GMP') ready for Trust approval.

Potential Stage 1B (not part of this Contract which covers Stages 1 and 1A only): This Stage will possibly be subject to the 2012 / 2013 12 months P21+ Small Works contract renewal and will encompass the procurement process associated with the tender documentation prepared under Stage 1A to produce a 'final GMP', together with full reporting to enable the Trust to approve to Stage 2. IHP are to tender the works with a minimum of three generator SCMs.

Site electrical infrastructure works at Watford General Hospital, St Albans City Hospital and Hemel Hempstead General Hospital

Stage 1: IHP are to appoint an electrical contractor to undertake the 5 year fixed wire tests as outlined in IET Guidance Note 3; this process is to be progressed, forthwith, upon the signing of the contract. The tender process to be undertaken to derive such an appointment must induce returns from a minimum of three electrical contractors and shall establish a 'fixed price per unit of testing' for evaluating the total cost of works which are subject to later re-quantification (re-measure). IHP are also to procure a schedule of rates from each of the electrical contractors. The work of the electrical contractor is to be undertaken based on the "Exception" process set out by the P21+ Small Works contract. TB&A (mechanical, electrical and public health designers) are to be appointed under the PSCP to review, evaluate, schedule and categorise the results of the tests with urgent or critical remedial works being instructed as a Compensation Event, with the selected electrical contractor adopting the pre-agreed schedule of rates as a pricing mechanism. Concurrently, all other non-urgent or non-critical remedial works are to be developed into a 'final GMP' (for Stage 2) for the Trust to approve.

Potential Stage 2 (not part of this Contract which covers Stage 1 only but costed and requested to be funded during 2011/2012): Implementation of construction works associated with non-urgent or non-critical site electrical infrastructure remedials. This Stage should also encompass full testing, commissioning and certification of the completed installation where appropriate.

Boiler controls at Watford General Hospital

Stage 1: IHP are to appoint the relevant PSCM designer(s) / engineer(s) to review the existing report on boiler controls / wiring and undertake their own site surveys and investigations to develop a scope / design and procure a 'final GMP' for the Trust's approval.

Potential Stage 2 (not part of this Contract which covers Stage 1 only but costed and requested to be funded during 2011/2012): Implement construction works commensurate with recommendations, detailed design development and 'final GMP'. This Stage should also encompass full testing, commissioning and certification of the completed installation.

Boiler / CHP at Watford General Hospital

Stage 1: IHP are to prepare a Feasibility / Options Appraisal Report to evaluate the strategic potential for future 'heat generation' in the next 5 – 8 years at the Watford General Hospital site prior to the 'Transforms' scheme. This report should review a number of criteria which will need to be agreed with the Trust in due course but capital cost estimates, time for design / procurement / construction, cost benefit analysis, advantages / disadvantages appraisal and 'green issues' will form part of this. Central to the Trust's consideration is the opportunity for any primary plant to be relocated and re-used on the 'Transforms' scheme. Recommendations should be provided for the Trust to consider and approve.

Note: The above Task is considered to be concluded at Stage 1. Any further work required will be procured in future and may not form part of the P21+ Small Works contract.

Service tunnel at Watford General Hospital

Stage 1: IHP are to appoint the relevant PSCM designer(s) / engineer(s) to commence preparation of design for works to prevent water ingress to the service tunnel, ready for procurement. A 'final GMP' is to then be assembled ready for the Trust's approval.

Stage 1A: Pending the outcome of the Trust's approval process, it may be necessary to invoke a Stage 1A to value engineer the design. If Stage 1A is not required, the relevant costs will be reflected as a saving on the contract sum.

Potential Stage 2 (not part of this Contract which covers Stages 1 and 1A only): Implement construction works commensurate with detailed design development and 'final GMP'. This Stage should also encompass full testing, commissioning and certification of the completed installation where appropriate.

Theatre air handling unit works at Watford General Hospital, St Albans City Hospital and Hemel Hempstead General Hospital

Stage 1: IHP are to prepare a report in conjunction with TB&A to document the current condition, level of HTM compliance and estimated costs for remedial works of the AHUs at the Watford General Hospital, St Albans City Hospital and Hemel Hempstead General Hospital sites.

Note: The above Task is considered to be concluded at Stage 1. Any further work required will be procured in future and may not form part of the P21+ Small Works contract.

Link bridge at Watford General Hospital

Stage 1: IHP are to appoint a design team to commence preparation of design for works to the new link bridge proposed between PMoK and the Maternity Unit at Watford General Hospital ready for procurement. A 'final GMP' is to then be assembled ready for the Trust's approval.

Eric Fehily