Agenda Item 47/12

Part 1 Board Meeting, 29th March 2012

Indicative Capital Programme 2012/13

This paper is intended for consideration and approval by the Trust Board of the recommendations listed below in relation to the indicative Capital Programme allocations and the mechanism in place for allocating funds between competing priorities with transparency of process.

Presented by:
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1.0 Background

1.1 West Hertfordshire Hospitals NHS Trust (WHHT/ The Trust) operates a capital investment programme of circa £7-8m/ annum. From a survey conducted in 2009, the Trust had an identified backlog maintenance figure of c£66m. Following an internal assessment, applying known and planned changes in the estate, the required expenditure on backlog has reduced to c£40m. Backlog expenditure in the IBP base case is planned for £19.6m (over 5 years) which equates to £18.6m estates maintenance and £1m investment in site rationalisation.
A recent external review of estates management compliance was completed in March 2012.

1.2 Additional funding will be required to meet compliance requirements (surveys, management processes and protocols). The highest priorities are addressed in these proposals.

1.3 The Trust is also undertaking a service led "Strategic Estate Rationalisation Programme" (SERP) designed to concentrate current and forecast levels of activity into a smaller gross internal area than it currently owns and occupies. A programme of investments and asset disposals to generate capital receipts will result from this work. The Capital programme is managed operationally by the Associate Director for Strategic Developments.

2.0 Introduction

2.1 Historically the Capital Programme has been managed and governed through a "Capital Programme Group" (CPG) that met monthly and was chaired most recently by the Director of Strategy & Infrastructure. Discussions at CPG were very project focussed and operational (in a project context) and focussed on: Budget management; Project issues; Project risks; and Reprioritisation within year if scheme cash flows changed.

3.0 Governance of the Capital Programme

3.1 Following discussion of the CPG issues with the Trust's Risk and Governance lead, and at CPG itself, a change in structure is now in place. There is a quarterly "Capital Planning Forum" (CPF) which focuses almost exclusively on strategy and planning informed by Business Plans; and a monthly Capital Programme Board (CPB) that manages the operational tasks on behalf of CPF. New Terms of Reference have been agreed for each group and an "Objectives and Principles of the Capital Programme" is under review by both CPF and IRGC members to focus the debate when prioritising different schemes between divisions. Accountability remains through the Chief Executive to the Board.

3.2 From an initial discussion of these new arrangements at the Integrated Risk and Governance Committee (IRGC), it has been agreed that clinicians will be invited to attend the quarterly forum meetings to encourage more explicit engagement and debate, albeit their views and priorities are currently represented through the divisional managers. It was felt that clinicians should be encouraged to be involved and could send deputies to better understand the competing priorities and contribute to the debate via this forum as well as other mechanisms. The current arrangements will be subject to a 6-month review and will be informed by debate at the next meeting of IRGC.

4.0 Funding of the Capital Programme

4.1 The financial value of the Capital Programme as currently funded, is the equivalent of the

depreciation charge arising from the Organisation's assets (£7.2m). The estate condition surveys and backlog maintenance figures do not include medical equipment (major diagnostic or "near patient" devices).

4.2 In effect, the Capital Programme is set at a level that notionally maintains the value and condition of the existing assets. No additional allocation is made available for investments to enhance or change clinical services or increase the physical capacity of the hospital sites.

5.0 Capital Allocations Process

5.1 Historically, business cases have, once finalised been brought to CPG for approval/ capital funding against the fixed capital funds identified for CPG. In establishing the CPF, this position will now change, so that business cases requiring capital investment are indicated to and ratified through CPF before commencement, thereby generating a forward plan and forecast on anticipated demand for capital. This would be advised to the Trust Executive, using a variety of mechanisms, principally through the Business Planning cycle.

5.2 The approvals process for such business cases should be through Divisional Boards in line with the Trust's Business Planning process. It would then follow the current process for whole system prioritisation between clinical divisions. A "straw man" prioritisation mechanism for CPF has also been identified in the "Principles & Objectives" paper.

5.3 Clinical engagement is implicit in the process due to the role of the Divisional Management Boards, Divisional Directors and Clinical Leads in approving business cases and agreeing priorities. Explicit clinical engagement and wider prioritisation against the Board Assurance Framework and the Trust's Datix risk management system is achieved by the capital programme being reported for assurance at IR&GC where clearly risk and quality issues are the main agenda item. The Capital Programme is subsequently reviewed and endorsed by the Trust Board, hence this paper.

6.0 Anticipated Capital Programme for 2012/13

6.1 The current anticipated Capital Programme is set out in the table below with indicative allocations for 2012/13 totalling £9.6m, with £7.2m as the 'base' capital programme, and additional funds (£2.4) available through both land sales and funding brought forward from 2011/12.

6.2 The additional funds (£2.4m) are sourced as follows: £0.7m will be generated as capital from the sale of surplus Trust properties in 2012/13, namely the pill packing unit (PPAS) at St Albans and a house on Vicarage Road, Watford. The remaining £0.5m resulting from the sales has been allocated to revenue. The other funds have been brought forward from 2011/12 (£1.7m). These have been previously earmarked against backlog maintenance (£1m) and IM&T server virtualisation (£0.7m) and have not been implemented for a number of reasons (largely procurement process & review of IM&T strategy). These figures are included in the 'for prioritisation' in the table and discussion below, although priority may be to allocate to the same areas of expenditure.

6.3 It should be also be noted that the Combined Heat & Power Plant (£2.9m) and Road for the Watford Health Campus (£7m) that recently secured funding from DoH will be delivered over the course of the next 18-24 months, but these are independently funded, so are not included below.

6.4 The Table has been split into two sections to highlight areas of funding that are unavoidable and therefore committed (section 6.5); and areas which are subject to prioritisation and debate (section 6.6). The explicit assumption is that all spend in these schemes is targeting patient safety and addressing risk issues and therefore these are not specific categories. TSSU decontamination is the topic of a separate decision by the Board in March, but for the purpose of clarity, commitment is assumed. For those items which are subject to debate, indicative

allocations have been accorded to the groupings of:

- Medical Equipment – Business Continuity
- Backlog Maintenance
- Infrastructure & IT Improvements - Risk Reduction
- Facilitating Service Redesign & Capacity Options

These groupings contain schemes within them (listed below) that will require prioritisation according to business case submissions, operational priorities, timing and deliverability of schemes. It is noted that medical equipment allocations have not automatically been included in the 'unavoidable' list of schemes, as dependent on other factors, some items could be purchased via lease arrangements etc. A more detailed list is provided at Appendix A to show where schemes need to be prioritised and also the original allocation which was noted in the IBP.

Table 1

Areas Requiring Capital Investment for 2012/13	**Indicative Revisions**	**Notes**
A. Unavoidable / Committed Allocations	**(£)**	
Decontamination Compliance (TSSU)	1.0m	updated quote
Equipment to support TSSU Decontamination turnaround	1.1m	uplifted for additional equipment needed
Decontamination Compliance (WGH Endoscopy	1.7m	updated quote
Backlog Maintenance (inc Emergency Remedial works)	2.8m	uplift for Asbestos & Medical Gas Survey
Sub total	**6.6m**	

6.5 In the 'committed' section of the Table above, which reflects discussions at the last CPF, revisions have been made as follows:

- TSSU Decontamination (£2.1m) - updates for the projected costs of the decontamination compliance in relation to the change in contract for the TSSU; plus an additional allocation for the increase in TSSU equipment requirements to meet the turnaround times with the new contract; At this stage, it is a 'best estimate' based on previous complex process pathway review and this will be calibrated once there has been further analysis of in May.
- Endoscopy Service at Watford (£1.5m) - updates for the physical works for the service to meet compliance regulations and slipped from previous year whilst awaiting completion of HH;
- Backlog Maintenance(£2.8) This includes specific work on:
  1. £1.4m Generators –committed to get WGH to compliance status
  2. £0.3m Estates Repair Notices
  3. £0.2m Gas to oil project phase2 – prior to installing Generators
  4. £0.2m Legionella works following risk assessments
  5. £0.1m Lifts repairs following breakdowns
  6. £0.1m Building Management System Controls
  7. £0.1m Ventilation system improvements
  8. £0.2m Asbestos Removal works at St Albans & Hemel Hempstead
  9. £0.2m Piped medical gas survey

6.6 In Table 2 below, are the proposals for prioritisation. Indicative allocations have been made based on the known quantifications of investment required that have been raised through CPF / CPB discussions, from divisional input, and/or through the Board Strategy Committee. There are a range of schemes totalling potentially £10.45m.

	£	Notes
B. For Prioritisation 12/13		
Medical Equipment - Business Continuity	1.0m	Specific needs - CT/ ITU Ventilators
Backlog Maintenance Priorities	0.7m	Roof replacements
Infrastructure & IT improvements & risk reduction	1.5m	Options
Facilitating Service Redesign & Capacity Options	0.5m	Options
Sub Total	**3.7m**	of £10.45m potential schemes (Appendix A)

Some specific items these fall into 'unavoidable' expenditure, although within the broader headings, there are priorities still to be agreed:

- Medical equipment replacement (£1m+) - specific need for CT scanner replacement at Hemel (0.6m), although this could be a leased item; Ventilators in ITU (0.25m); other divisional equipment replacement items (£0.7m)
- Backlog Maintenance (£3m) – long list of prioritised items following the compliance report and outstanding items for implementation.
    - Roofs replacement (Moynihan and Maternity) £0.65m
    - Fire services £0.15m
    - Pressure systems £0.15m
    - Environmental improvements £0.25m
    - Energy projects £0.75m
    - DDA compliance £0.3m
    - Road repairs £0.75m
- Infrastructure Improvement and Risk Reduction (£2.15m)
    - IM&T Sever Virtualisation (£0.8m)- This project is currently on hold pending outcome of strategic review by channel 3.
    - Storage Capacity / IV Fluids (£0.6m) – this initiative resolves storage space for decontamination, resolves the IV fluid store risk and creates potential for some capacity in PMOK by using the light-well space.
    - PMOK /Maternity Link Bridge (£0.75m) - this project would provide a walkway between these two buildings and targets the single point of failure and poor patient experience.
- Facilitation of Service Redesign (£1m) & Capacity Options (£1m - £3.3m)
    - Costs for facilitating the reconfiguration and release of surplus land (0.4m)
    - Estimate for schemes to enable redesign & refurbishments (0.5m)
    - Estimate for schemes that create 'new' capacity at WGH (ranging between £1m-£3.3m). This expenditure may be a necessity and the Trust needs to seek funds from the PCT to resource the capacity issue.

6.7 **The Table below summarises the two sections of the proposed allocations.**

Capital Allocations	**£**	Notes
Unavoidable / commitments	**£6.6m**	Section 6.5
Schemes for prioritisation Sub Total	**£3.7m**	Section 6.6
TOTAL (9.6m)	**£10.3m**	8% Over commitment

6.8 It should be noted that the revised figures show an over commitment based on continued experience of underspend on the capital programme. This will be continually monitored to ensure that this is a recoverable over expenditure and that works can be put on hold without incurring major expenditure.

7.0 Recommendations

7.1 The Board are asked to review and endorse the recommendations made in this paper for the governance arrangements for the Capital Programme.

7.2 It is recommended that the Integrated Risk and Governance Committee completes the review of clinical engagement and provides input to the refinement of the structure; and that IRGC continues to monitor the assurance given by appropriate targeting of capital funding.

7.3 The Board are asked to inform and endorse the recommendations made in this paper for the 'unavoidable/commitments' proposed, totalling £6.6m.

7.4 The Board are asked to consider postponing the allocation of the remaining £3.7m to the May Board meeting, when there will be more clarity about the capacity requirement and funding streams available to address these capacity challenges.

APPENDIX A

Table of Indicative Allocations 2012/13

Areas Requiring Capital Investment for 2012/13	As noted in IBP	Indicative Revisions	Notes
A. Unavoidable / Committed Allocations	**(£)**	**(£)**	
Decontamination Compliance (TSSU)	1.0m	1.0m	updated quote
Equipment to support TSSU Decontamination turnaround		1.1m	additional equipment needed
Decontamination Compliance (WGH Endoscopy)	1.2m	1.7m	updated quote
Backlog Maintenance (inc Emergency works & Asbestos removals)	2.2m	2.8m	ERN spend & Asbestos removal
Base Capital Allocation - Sub total		**6.6m**	
B. Prioritisation 12/13			
Medical Equipment – Business continuity	1.5m	**1.0m**	Specific needs - CT/ ITU Ventilators
Medical Equipment - CT Scanner (HH)		0.6m	
Medical Equipment – Ventilators, ITU		0.25m	
Medical Equipment Replacement Programme		0.7m	
Backlog Maintenance Priorities		**0.7m**	
Backlog Maintenance Compliance / High Risk (roof replacement)		0.65m	£1.0m c/fwd
Other Backlog maintenance schemes		2.35m	List of outstanding schemes below
Infrastructure improvements & risk reduction		**1.5m**	
IM&T Development - Server Virtualisation	0.8m	0.8m	0.7m c/fwd
Link Bridge PMOK / Maternity		0.75m	Quotation
IV Fluids Store / Storage /clinical capacity		0.6m	Quotation
Facilitating Service Redesign & Capacity Options		**0.5m**	
Costs for delivery of reconfiguration of estate		0.4m	Estimate
Capacity - creation of new “surge” facilities		1.0 – 3.3m	Estimate / Quotes
Capacity – service redesign & refurb options		0.5m	Estimate
“Service Developments”	0.5m		
		3.7m	of £10.45m potential
TOTAL £9.6m	**7.2m**	**10.3m**	8% Over commitment