

## Greater Glasgow NHS Board

**Board Meeting**  
20 August 2002



Director of Finance

Board Paper No 02/55

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### CAPITAL PLANNING 2002-03 UPDATE

#### RECOMMENDATION

The Board is asked to:

- approve the further release of £15.2m capital funds in 2002/03;
- note the retention of the remaining £8.0m for release following further consideration of the Acute Strategy requirement and related priorities in 2002/3;
- note the process for agreeing a 3/5-year capital plan.

#### INTRODUCTION

At its June 2002 Meeting, the Board received a report setting out details of the revised capital planning process [HDL(2002)40] and the funding available to NHS Greater Glasgow in 2002/03 and beyond.

Following consideration of that paper, the Board agreed to:

- confirm the allocation of an initial tranche of £16m capital funds to Trusts;
- consider the further distribution of remaining capital funds at a later meeting.

This report provides an update on the process to develop a capital plan for 2002/03 and beyond, and makes recommendations for the further release of remaining sums.

**PROGRESS TO DATE**

Since the last report to the Board, the Scottish Executive Health Department (SEHD) has now confirmed the capital carry forward request for 'End Year Flexibility' @ £16.423m as follows:

|              | £'000         |
|--------------|---------------|
| North        | 11,313        |
| South        | 910           |
| Yorkhill     | 526           |
| Primary Care | 1,900         |
| ICT          | 1,774         |
|              | <u>16,423</u> |

Full details of the specific schemes are given in Table 1 attached to this report.

As that same table indicates, the total capital funding now available in 2002/03 is consequently confirmed as:

|   | £'000             | £'000         |
|---|-------------------|---------------|
| <b><u>Funding Available</u></b>           |                   |               |
| Schemes carried forward from 2001/02      | 16,423            |               |
| Transition schemes agreed by SEHD         | 7,467             |               |
| General Allocation                        | 37,209            |               |
| Expected receipts on sales                | <u>2,000</u>      |               |
|   |                   | 63,099        |
| <b><u>Commitments to Date</u></b>         |                   |               |
| Schemes carried forward from 2001/02      | 16,423            |               |
| Transition schemes agreed by SEHD         | 7,467             |               |
| Allocated from General Funds at June 2002 | 16,000            |               |
| Board Meeting                             | <u>          </u> |               |
|   |                   | 39,890        |
| Available to be allocated                 |                   | <u>23,209</u> |

## **NEXT STEPS**

In finalising proposals to allocate remaining capital funds it is recognised that this may need a further two stages to complete.

- Stage 1:** Obtain early approval [August 2002 Board] for further release of funds to reflect priority "straightforward" schemes against the following criteria:
- confirmation that schemes can complete and spend prior to March 2003;
  - prior approval/legal commitment already exists for schemes to go ahead in 2002/03 or 2003/04;
  - the proposal relates to current priorities around:
    - decontamination,
    - Health and Safety;
  - the proposal relates to enabling work and fees for current major capital schemes:
    - Secure Unit,
    - ACADs
    - Acute Services Review;
  - reduces backlog maintenance and replacement equipment, etc, requirements in 2003/04.

Table 2 attached summarises the proposals received from each of the Trusts in line with these criteria.

In total, release of £15.2m to Trusts is proposed, with the retention of the remaining £8m against priorities to be further agreed.

## **COMPLETING THE PROCESS**

With this further tranche of funding released, it will be possible to concentrate on the wider process and priorities that will underpin the 3/5-year capital plan as follows:

**Stage 2:** Much work needs to be done locally to co-ordinate the capital programme over the next 3-5 years. Critical to that process will be ensuring that some private finance is available, particularly to support the ACAD developments in the North and South.

Aspects of the overall plan that need to be synchronised include:

- schemes to enable and implement the Acute Services Review, including fees and related service rationalisations such as:
    - Dermatology,
    - Gynaecology,
    - ENT/Ophthalmology,
    - Maternity Services;
  - specific major schemes for:
    - transfer of Beatson,
    - North and South ACADs,
    - Primary Care improvements, including Joint Future Initiatives,
    - Mental Health Strategy,
    - Health and Safety requirements particularly as affecting the Victoria Infirmary,
- all of which may need to be PFI/PPP tested;
- likely timing and amount of capital receipts.

All of which is in addition to individual Trust requirements for:

- minor schemes including equipment replacement;
- implementing the pan-Glasgow ICT Strategy;
- pump-priming schemes to release revenue savings;
- national targets including improvements in quality, Health and Safety, etc.

Finally, having identified requirements, the Board will need assurance that decisions are made in line with agreed evaluation criteria and that proposals are backed up with a rigorous business case.

## **RISK MANAGEMENT**

In making proposals for a further release of capital funds at this early stage in the year, it is recognised that this creates a tension between:

- ensuring funding available is spent to good effect in year
- ensuring robust capital planning processes reflecting agreed priorities over the next 3-5 years are followed.

The recommendation is therefore to retain a proportion of the funding available for later release once some of processes set out at Stage 2 are completed.

It is also recognised that there will inevitably be slippage and other delays on schemes in year. To reflect this, the funding proposed against medical equipment bids from the Trusts is relatively low on the basis that such procurements can be speedily completed later in the year using slippage that may become available.

### **SUMMARY**

This report updates the Board on progress with allocating the 2002/03 Capital Funds available. As this is the first year in which this responsibility has been devolved to NHS Boards, it also sets out future processes for agreeing a 3/5-year Capital Plan. As there is some urgency in releasing funds in-year, the Board is asked to approve the release of a further £15.2m capital funds in 2002/03. With this approval, Trusts will be able to finalise their proposals as outlined in this report.

This will leave £8m to be finally allocated once further work on capital planning processes is complete.