



Greater Glasgow & Clyde NHS Board

**Board Meeting
22nd June 2010**

Paper No. 10/24

Proposed Capital Plan 2010/11 – 2012/13

RECOMMENDATION

Members are asked to:

- Note the total allocations of Capital Funds for 2010/11 approved by the Performance Review Group on 18th May 2010;
- Note the current indicative allocations for 2011/12 and 2012/13;
- Delegate, to the Capital Planning Group, the authority to allocate any additional available funds against the 2010/11 capital plan throughout the year.

1 INTRODUCTION

1.1 The Performance Review Group (PRG), considered and approved the Board's Capital Plan 2010/11, and noted indicative allocations for funding in 2011/12 and 2012/13, at a meeting on 18th May 2010. This paper provides Board members with a high level overview of the approved capital plan.

1.2 During 2009/10, the Board has worked with SGHD colleagues to confirm the level of capital funding which is likely to be available for the period 2010/11 and beyond. These discussions have enabled the Board to agree with SGHD a firm capital funding allocation against which it can plan for 2010/11 and indicative allocations which it is reasonable to anticipate for 2011/12 and 2012/13. It should be noted that these capital funding allocations are considerably lower than those that had been forecast in presenting the previous year's Capital Plan. These are shown in Table 1, in Section 2 of this paper.

While general funding allocations are reduced, SGHD has confirmed its commitment to fund the £841.7m new South Glasgow Hospitals and Laboratory development.

1.3 In tandem with these discussions, a series of detailed reviews of the Board's existing capital programme have been undertaken to identify how this could be

reprioritised and rephased where appropriate to manage expenditure within likely capital funding availability.

- 1.4 The purpose of this paper is to set out outline plans of how the Board would seek to deploy its prospective allocation of capital funds in 2010/11 and also to set out indicative plans on how the Board plans to deploy its prospective allocations of capital funds in 2011/12 and 2012/13. The levels of available capital funding assumed for 2011/12 and 2012/13 have been discussed with SGHD and agreed to be realistic estimates which can be used for planning purposes. Firm allocations for 2011/12 and 2012/13 will not be confirmed until the outcome of the next Spending Review is known, which is anticipated to be in late Autumn 2010.
- 1.5 Subject to final audit review, net capital expenditure in 2009/10 amounted to £329.044m against a Capital Resource Limit (CRL) of £329.047m. As a result of this modest underspend of £3,000, the Board has met the requirement to operate within its Capital Resource Limit as set by SGHD for 2009/10.

Note:

In a previous paper which was presented to PRG in May 2009, (i.e. the paper which sought approval for the Board's 2009/10 Capital Plan), it was explained that with effect from 1st April 2009 all NHS Bodies were required to adhere to the requirements of International Financial Reporting Standards (IFRS). One of the effects of conversion to IFRS is that expenditure on a number of capital schemes, i.e. those funded by the Government's Private Finance Initiative (PFI), is no longer classified as revenue but reported as capital expenditure against the Board's Capital Resource Limit. The impact of this change is included within the reported outturn for 2009/10, also in the Board's CRL, which has been adjusted by SGHD by an equivalent amount to take account of the conversion to IFRS.

2 AVAILABLE CAPITAL RESOURCES

- 2.1 The table below summarises the level of capital funding which SGHD has confirmed for 2010/11 together with indicative capital funding for 2011/12 and 2012/13.

Table 1 – Anticipated Capital Resources	Firm 2010/11 £'000	Indicative 2011/12 £'000	Indicative 2012/13 £'000
National Formula Capital Allocation	£83,887	£73,038	£66,202
Medical Equipment Allocation	£7,874	£7,874	£7,874
Primary care Modernisation Programme (PCCPMP)	£16,000	£5,040	£5,494
IT Patient Management System (PMS)	£4,700	-	-
Other specific IT Schemes	£3,988	-	-
Radiotherapy Equipment Replacement	£3,608	-	-
New South Glasgow Hospitals development	£61,100	£161,700	£257,900
Balance of funding carried forward from 2009/10, agreed with SGHD	£10,951	-	-
Other Capital Funding Sources	£808		
Total Capital Resources	£192,916	£247,652	£337,470

- 2.2 The National Formula Capital and Medical Equipment allocations for 2010/11 reflect the figures contained within the funding confirmation letter received from SGHD, dated 22nd March 2010. The remaining anticipated allocations for 2010/11 have been confirmed with SGHD's Deputy Director, Capital Planning and Asset Management. Some of these have been formally confirmed as noted in paragraphs 2.4 – 2.6 below.
- 2.3 The anticipated levels of capital funding in 2011/12 and 2012/13 are based on discussions with SGHD colleagues, as explained in paragraph 1.2 above, and can be regarded as indicative at this stage, pending the outcome of the forthcoming Spending Review.
- 2.4 The anticipated funding allocation for the Primary & Community Care Premises Modernisation Programme (PCCPMP) in 2010/11 reflects the bid submitted by the Board in December 2008, which was confirmed by SGHD in a letter of 9th February 2009. PCCPMP funding noted for 2011/12 and 2012/13 is included only as an indicative allocation at this stage and is matched by a corresponding expenditure provision.
- 2.5 The funding allocation for IT PMS in 2010/11 of £4.7m relates to the purchase of licences for NHSGGC as part of a national scheme.
- 2.6 The remaining allocations for specific IT schemes have been confirmed by SGHD in letters of 16 April and 5 May 2010.

3 PROPOSED CAPITAL PLAN

- 3.1 The Board's Capital Planning Group has reviewed its capital programme and updated this to reflect anticipated capital funding levels for 2010/11 to 2012/13.

Table 2, below, summarises the outcome of this review, setting out an updated capital expenditure plan, incorporating proposed Capital Schemes across Acute Services, Acute Services Strategy, New South Glasgow Hospitals, ICT, Board and Partnerships including Mental Health.

Table 2 – Summary of Proposed Capital Schemes	2010/11 £'000	Indicative 2011/12 £'000	Indicative 2012/13 £'000
Acute Schemes – Directorates	£39,097	£24,367	£13,885
Acute Schemes – Other (Local Formula and Medical Equipment Allocation)	£17,849	£19,874	£19,874
Acute Strategy – Acceleration Schemes	£26,172	£2,000	-
Acute Strategy – Main Schemes and Enabling Works	£14,780	-	£1,500
New South Glasgow Hospitals	£61,225	£161,700	£257,900
ICT Schemes	£16,923	£6,620	£2,000
Board Schemes	£9,639	£4,049	£3,849
Partnerships and Mental Health Schemes	£25,165	£42,995	£25,004
TOTAL	£210,850	£261,605	£324,012

- 3.2 An amount of £8.862m is included within “Acute Schemes – Other” in respect of the Acute Division’s local formula allocation. Similarly, an amount of £1.951m is included within “Partnerships and Mental Health Schemes” in respect of local formula allocations. These allocations take account of slippage and acceleration of spend in 2009/10. Local formula allocations allow for expenditure on minor works, normally of an estates/building nature. These works are normally of a value less than £500k, such as minor building upgrades/refurbishments. Bids for funding in excess of £500k would be considered by the Capital Planning Group before receiving specific approval. Other priorities that this allocation would cover are “Invest to Save” schemes, Infection Control, Fire Precautions, Health & Safety, Road Improvements, Flooring Upgrades and the requirements of the Disability Discrimination Act. Local formula capital allocations for 2010/11 have been scaled back by approximately one third relative to 2009/10, reflecting the reduced availability of capital funding in 2010/11 compared to previous years.

New South Glasgow Hospitals and Laboratory Funding (NSGH)

- 3.3 As noted in paragraph 1.2, SGHD has confirmed that the full budget of £841.7m for the New South Glasgow Hospitals and Laboratory development remains available.
- 3.4 NSGH funding and expenditure is currently forecast at £61m for 2010/11. This will be closely monitored during the course of the year, to confirm that the phasing of capital expenditure and funding availability is synchronised.

Financial Summary

- 3.5 The table below summarises the financial position of the Capital Plan for the three years 2010/11 to 2012/13:

<u>Table 3: Summary Consolidated Three Year Capital Plan – 2010/11 to 2012/13</u>	<u>2010/11</u> <u>£'000</u>	<u>Indicative</u> <u>2011/12</u> <u>£'000</u>	<u>Indicative</u> <u>2012/13</u> <u>£'000</u>
Estimated Available Resources (Table 1)	£192,916	£247,652	£337,470
Forecast Capital Expenditure (Table 2)	£(210,850)	£(261,605)	£(324,012)
Anticipated Slippage – 2010/11	£17,934	£(17,934)	-
Anticipated Slippage – 2011/12	-	£31,887	£(31,887)
Surplus/(Deficit) on Capital Programme	£0	£0	£(18,429)

- 3.6 As explained above, a series of reviews of the Board's capital programme have been carried out during the past twelve months, including detailed reviews of the forecast expenditure profiles for all capital schemes.

The output of this process is summarised in Table 3 above, and forecasts a level of over-commitment rising to £32m in 2011/12, reducing to £18.4m by 2012/13.

Notwithstanding the detailed review process which has been carried out and the reduced scale of the Board's general capital programme, it remains reasonable to anticipate that there will still be capacity for some slippage to occur on an annual basis. For this reason, as noted in Table 3, a provision for slippage has been incorporated into the Board's Capital Plan. In the context of the Board's overall capital programme it is felt that a cumulative anticipated slippage figure of £32m, by the end of 2011/12, split broadly evenly over the next two years, should be manageable by phasing expenditure during March/April.

Monitoring Arrangements

- 3.7 Expenditure on all capital schemes will be monitored throughout the year and reported to the Capital Planning Group to allow for the required decisions to be made to ensure that a balanced capital position is achieved. In addition, it should be noted that the figures contained within the plan for 2011/12 and 2012/13 remain indicative at this stage and will also be reviewed by the Capital Planning Group on an ongoing basis.

4 CAPITAL PLANNING PROCESS

- 4.1 The Capital Planning Group continues to meet at least every quarter, with additional extraordinary meetings as required, in order to monitor progress with the plan ensuring sufficient connections are made with the work of joint planning groups

established with Local Authority partners. The CPG also continues to ensure that required actions under the Design Action Plan are progressed.

5. RECOMMENDATION

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