

## NHS LANARKSHIRE CAPITAL BUDGET 2006/07

### 1. Purpose of report

This report provides the NHS Board with an overview of the Capital Expenditure Budget for 2006/07.

### 2. Overview

The Scottish Executive Health Department confirmed the 2006/07 capital resource allocations (CRL) for all NHS Boards in February of this year. This comprises the general allocation, referred to as the ‘formula capital’ as well as any specific ring fenced allocations such as funding for medical equipment.

As part of the annual financial planning process set out by the Scottish Executive Health Department, the Board is required to produce a five year Capital Plan highlighting capital income assumptions and setting out the capital investment proposals for the following years. In view of the ongoing work associated with *A Picture of Health*, a five year capital plan cannot be finalised and no assumptions can be made in relation to the likely funding routes at this time. Business cases will be required as we move ahead with the individual components of the strategy and significant work is expected over the coming months. The NHS Board and Scottish Executive Health Department will be fully briefed as the five year investment plan is further developed.

To ensure the immediate service investments are progressed appropriately, the proposed capital budget for 2006/07 is set out in Appendix 1, for approval by the Board. The table below provides a broad summary of the position:

<b>NHS Lanarkshire</b>	
<b>Capital Budget 2006/07</b>	
	£m
Net Capital Allocation	31.687
Capital Expenditure	(29.997)
Capital Receipts	5.750
(Over) / underspend	7.440

### 3. Capital Allocation

NHS Lanarkshire has received a formula capital allocation of £23.644m for 2006/07, with a further £2.157m to meet the capital investment costs for medical equipment. In addition, the Board underspent against the capital resource limit in 2005/06 by £3.533m. This carry forward from 2005/06 is subject to external audit review as part

of the annual accounts process, however confirmation is expected from the Scottish Executive Health Department that this sum will be added to the capital allocation for 2006/07.

A number of other capital allocations have been assumed within the capital budget for the year, in relation to specific developments in primary care and funding for invest to save energy efficiency schemes. In addition, a reduction to the capital allocation is expected as the Boards contribution to the West of Scotland Medium Secure Unit.

In total, the capital budget sets out a net capital allocation of £31.687m.

#### **4. Capital expenditure plan**

Prior to 2006/07, a major component of the Capital allocation was transferred to the revenue allocation each year through an approved mechanism, and was used to support revenue expenditure on 'non added value' capital or the overall financial position. This option has been removed by the Scottish Executive Health Department and as a consequence the Board has a significant level of capital resource at its disposal. The level of investment required through *A Picture of Health* and the associated service strategies will be considerable over the next five to ten years and the capital funding available during this period will support the delivery of these plans.

In relation to the more immediate timeframe, the total investment of £29.997m for 2006/07 is set out in Appendix 1, with expenditure across a number of broad areas:

- **Ongoing schemes brought forward from 2005/06**
- **Primary care premises**

Major improvements and enhancements are planned to a number of primary care facilities over the coming years, the details of which were set out in the Capital Plan 2005 – 2010, approved by the Board in September 2005.

Early priorities for 2006/07 include completion of the design stage for the development of the new Bellshill Clinic and further progress on plans to replace the existing Carlisle Health Centre with a new resource centre to collocate social work, community mental health and additions teams with general practice staff.

During the year, further work will be made to progress the development of Airdrie Resource Centre. This is being undertaken in partnership with North Lanarkshire Council and represents a major component of the strategy to improve primary care facilities across the area. The Centre will accommodate 11 GP practices, extended Primary Care teams, the Community Mental Health Team, the Addictions Team, Child Health, social work staff and a day care unit for frail elderly and dementia. A site has been identified and discussions between the owner / developer of the site, North Lanarkshire Council and NHS Lanarkshire are progressing. The Outline Business Case is expected to be complete in the near future.

- **Modernising geriatric hospital services**
- **Modernising psychiatric services**

Work is continuing on the investment in the Learning Disability Assessment and Treatment Centre on the Strathclyde site. In addition, capital grants are being made available to both Local Authorities as a contribution to the capital costs of rehousing former patients, as part of the overall strategy for learning disabilities and the longer term closure of Kirklands Hospital. Also linked to this is the relocation of pharmacy facilities from this site.

In order to facilitate the planned closure of Hartwoodhill Hospital, developments are underway at both Coathill Hospital and Caird House for wards to accommodate adults with complex needs. These developments are also aimed at improving services in the local community setting in North Lanarkshire and South Lanarkshire, respectively.

- **Rationalise accommodation**

Future arrangements for office accommodation remain an ongoing area of review, pending the potential sale of the NHS Lanarkshire Headquarters to the Scottish Courts Service. A decision is expected from the Courts in October 2006 and in the meantime, work is required to consider where affected staff would be based if the sale proceeds. In this regard, efforts are focused on ensuring the most appropriate collocation for divisional and corporate staff. In the short term there will also be some small scale moves arising from the establishment of the Community Health Partnerships. Funding has been earmarked for these schemes.

- **Other**

Capital investment is planned in a number of other areas including work required to comply with statutory standards, new and replacement medical equipment, IM&T and 'ring fenced' developments in primary care dental premises.

Funding has also been allocated through the capital plan for repayment of prior-years 'brokerage'. This has arisen through the allocation of advance funding by the Scottish Executive Health Department in recognition of future capital receipts.

## **5. Assumptions**

Within the capital expenditure plan for 2006/07 there is an assumption that capital receipts will be forthcoming on the sale of the Law Hospital site and Kirklands House. This additional 'income' is expected to be in excess of £5.7m, with a further revenue benefit of circa £15m on the Law Hospital sale. The exact value of the receipt will only be known when the sale is complete.

At this stage, there is no capital investment planned on the Acute hospital sites, including the reprovision of Acute Psychiatry inpatient beds, during 2006/07. This is in light of the ongoing strategic review of services under *A Picture of Health*.

The capital budget for the year sets out a net under spend against the total anticipated capital allocation of £7.440m. In order to meet future investment plans within NHS Lanarkshire, these funds will require to be carried forward into future years. Approval will have to be sought from the Scottish Executive Health Department on any carry forward.

## **6. Capital Investment Group**

The capital programme represents a huge investment in the healthcare facilities across NHS Lanarkshire. This investment spans a number of individual schemes and it is essential that mechanisms are in place to control and monitor this expenditure. The Capital Investment Group (CIG) is the overarching group established to ensure Primary Care and Acute capital planning is integrated across the system.

The CIG will continue to meet on a monthly basis to review progress on the 2006/07 capital expenditure plan and to take forward the longer term strategic capital investment programme. This will incorporate the outcomes of *A Picture of Health* and the subsequent implications for the NHS Lanarkshire estate.

## **7. Conclusion**

*The Board is asked to:*

- *approve the capital budget for 2006/07*
- *note the planned underspend of £7.440m for the year*

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**Director of Finance**

**17 May 2006**