

NHS LANARKSHIRE

CAPITAL REPORT FOR THE PERIOD APRIL - SEPTEMBER 2006

1. Introduction

The purpose of this report is to provide the NHS Board with an overview of the capital expenditure position for the six months ended 30 September 2006 and an early indication of the likely year end underspend.

2. Overview

The capital plan was approved by the NHS Board in May 2006.

NHS Lanarkshire 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 to be added to the capital allocation for 2006/07.

A number of other capital allocations were 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 was expected as the Board's contribution to the West of Scotland Medium Secure Unit.

In total, the initial capital budget assumed a net allocation of £31.687m.

Since the capital plan was approved, further allocations have been received from the Scottish Executive Health Department for Primary Medical Services and diagnostics waiting times as well as confirmation of the energy efficiency allocation. A further adjustment is the impact of the delay in the development of the West of Scotland Medium Secure Unit. Due to changes within NHS Greater Glasgow and Clyde, this allocation is no longer required in the current financial year and will add to the overall anticipated underspend at the year end.

At 30 September 2006 the Board had a revised capital allocation of £32.144m

3. Position to date

The rate of actual expenditure for the first six months of the year remains low but with major projects reaching the approval stage it is anticipated that the rate of spend will increase in the second half of the financial year. To date, capital expenditure of £2.461m has been incurred against a planned spend of £29.823m. It should be noted that £11.5m of planned spend relates to repayment of brokerage to the Scottish Executive Health Department and will be deducted from the capital allocation over the coming months.

Table 1 provides a summary of expenditure to date. Further detail is attached as Annex A, along with the forecast year end position against each of the developments. It is evident from this analysis that there is likely to be a substantial year end underspend against the overall allocation. The initial capital budget for the year anticipated a £7.4m underspend. The current year end forecast shows this having increased to £15.905m due mainly to the slippage of the West of Scotland Medium Secure Unit, delays in the Learning Disability Assessment and Treatment Centre development, and potentially higher than anticipated capital receipts.

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.

	Revised Annual Plan £M	Actual Position to 30/9/06 £M
Capital Allocation	32.144	2.461
Capital Expenditure		
Hospital Infrastructure	4.929	0.395
Community Infrastructure	2.558	0.210
Medical Equipment	4.326	0.508
IM&T	2.164	0.319
Repayment of Brokerage	11.506	0.000
Other	4.340	1.029
	29.823	2.461
Capital Receipts	(13.700)	0.000
Net under / (over) spend	16.021	0.000

4. Disposals

The capital plan for 2006/07 and beyond is predicated on assumed capital receipts arising from the disposal of a number of properties across NHS Lanarkshire. Upon completion of a given land / property sale, the net book value of these receipts is available as additional capital funding. Any gain on sale, above these net book values, is currently treated as a revenue benefit under Treasury guidance, albeit this is likely to change in the next financial year.

The anticipated capital receipts in the current year, assuming completion of sale, are set out in Table 2 below. These are well above that originally included in the 2006/07 capital budget, where no assumption was made in relation to the sale of Stonehouse. It should be noted that the position with regard completion of the sale of the Law Hospital site remains consistent with that reported to the Board previously. This remains as a risk factor to the achievement of a balanced revenue position at the year end and repayment of the cumulative deficit.

	Anticipated Net Book Value Receipt £M
Law	4.950
Stonehouse	7.250
Birkwood	1.500
	13.700

5. Major capital developments

Several projects are at a key stage in the approval cycle as noted below:

- The Outline Business Case for the Coatbridge Dental and Integrated Resource Centre was approved at the September meeting of the NHS Board and work is continuing to develop the Full Business Case for submission to the Scottish Executive Health Department Capital Investment Group by December 2006.
- The Full Business Case for the Learning Disability Service Assessment and Treatment Centre was submitted to the NHS Lanarkshire Capital Investment Group on 6 October 2006. Due to a range of factors, particularly the increase in costs beyond the Board's delegated capital limit of £5m, it was decided at that meeting that further work was required to review the proposed service model and design of the development, to ensure the project was affordable and would represent value for money.
- The Airdrie Primary Care Resource Centre Outline Business Case is complete and will be considered by the NHS Board at the October Board meeting.
- Work is continuing to assess the feasibility of a new NHS Lanarkshire Headquarters.
- Bellshill and Carluke Resource Centres are in the design phase.
- Work continues on the design and development of the Adults with Complex Needs facility at Coathill and the Adults with Complex Needs facility and Low Secure Unit at Caird House.

The capital investment programme for 2006/07 and beyond is considerable, both in terms of the existing planned developments in Primary Care premises and on the Acute sites in light of 'A Picture of Health'. Taking account of the business case process, disposal of surplus land and buildings, and the complex technical accounting arrangements around all of this, the task ahead is challenging.

It is anticipated that many of the technical accounting issues will be highlighted in more detail at the Board Seminar in November 2006.

6. Valuations

NHS Lanarkshire has enlisted the services of Gerald Eve, Chartered Surveyors and Property Consultants, to provide professional advice and expertise in relation to the ongoing valuation of the existing estate and in support of the wider capital investment programme.

Gerald Eve have been asked to provide a professional assessment of the estimated degree of added value and impact on asset lives, where applicable, of each individual capital investment project. In addition, a review of all planned minor capital works has been undertaken to identify actual capital enhancement values to inform the decision making process in this area.

This advice will support the overall capital planning process and the financial framework around the Picture of Health investments.

Early work has been completed in relation to Bellshill and Carluke Resource Centres. It is likely that these developments will have a revenue impact that was not previously identified

during the business case process. Every effort will be made to ensure these and future developments are contained within the capital and revenue envelope available.

7. 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 has met regularly during the year and 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.

Further work to refine the business case process and the strategic capital financial planning process will also continue.

8. Conclusion

The Board is asked to note:

- *The actual capital expenditure to date of £2.461m*
- *The forecast year end underspend of £15.905m*

Susan Goldsmith
Director of Finance
18 October 2006