

NHS LANARKSHIRE CAPITAL BUDGET 2007/08

1. Purpose of Report

This report provides the NHS Board with an overview of the NHS Lanarkshire Capital Budget for 2007/08.

2. Overview

The Scottish Executive Health Department (SEHD) confirmed the capital allocation for 2007/08 on 22 February 2007. This comprises the general formula based capital allocation as well as specific ring fenced allocations for medical equipment and the Primary Care Modernisation Fund. It excludes any under committed balance carried forward from previous years.

Through the Local Delivery Plan process, the NHS Board is required to submit a five year financial plan, in both revenue and capital terms, to the SEHD. The capital plan must highlight capital income assumptions and set out the capital investment proposals for the following years. A draft five year capital plan has been prepared and over the last few months has been revised in line with ongoing discussions within the Capital Investment Group (CIG), the Picture of Health Executive Action Group, as well as adjustments to reflect SEHD guidance in relation to optimism bias and inflationary uplift.

3. Impact of Scottish Executive Change in Administration

Earlier this month, the Cabinet Secretary for Health and Wellbeing reversed the decision taken by the previous administration's Deputy Health Minister in August 2006, on the downgrading of A&E services at Monklands Hospital. In her letter to the Board Chairman she instructed NHS Lanarkshire "to look again at [your] original plans as a matter of urgency and produce revised proposals that would enable A&E services to continue at Monklands, Wishaw and Hairmyres Hospitals". The Health Secretary acknowledges that this work will have consequences for other Picture of Health developments. However, she expects NHS Lanarkshire "to minimise any consequential delay in taking forward planned developments, while ensuring affordability, and to provide a considered view on these issues as part of the revised proposals".

The requirement to review the original plans will impact on the wider programme of developments planned under 'A Picture of Health' and as a result will impact directly on the work that has been undertaken to set out the capital expenditure plans for the future:-

- changes in the clinical/service model for accident and emergency services will directly affect the business case underpinning certain other planned developments, such as the two community casualty units;
- changes of the magnitude suggested, together with wider programme delays, are likely to generate additional capital and revenue costs, leading to a requirement to review the Financial Plan and the affordability of individual schemes;
- many of the key clinicians and managers responsible for planning and progressing other projects, will now require to concentrate on the Monklands A&E Review, leading to a general delaying effect on the whole programme.

Recognising the impact of the above issues, the five year capital plan remains as work in progress and as such is not available for formal approval by CIG or the NHS Board. However, to ensure immediate service investments are progressed timeously, and in recognition of strategic imperatives and / or significant partner involvement in a number of schemes, a proposed capital budget for 2007/08 is attached as Annex A. Any changes will be closely tracked as in year movements against the plan.

A net underspend of £11.218m is anticipated as at 31 March 2008. Formal approval to carry this forward to future years will be required from SEHD. The following table provides a summary of the plan for the year:

Capital Budget 2007/08

	£m
Net Capital Allocation	36.349
Capital Expenditure	<u>25.131</u>
(Over) / Underspend	<u>11.218</u>

4. Capital Allocation

NHS Lanarkshire has received a formula capital allocation of £28.390m for 2007/08, with a further £2.610m in ring-fenced funding to meet the capital investment requirements for medical equipment. In addition, funding of £5.592m has been allocated in relation to specific developments which have been awarded monies through the Primary Care Modernisation Fund. Within this sum, a total of £2.500m relates to the purchase of land for the Kilsyth Health Centre development. Due to the ongoing review and timing of this proposed development, it is unlikely that this sum will be spent in the current year and as such it is anticipated that this will be returned to the SEHD. Although not yet confirmed, an allocation is anticipated in respect of energy efficiency (£0.257m).

For presentational purposes the resources available for 'non-added value' expenditure have been included in the capital budget, although these are not strictly capital funding,. This funding of £2.000m will support revenue expenditure on infrastructure investment which does not meet the true accounting definition of capital. This may be specific individual items

of expenditure or components of larger capital investments. In addition, these funds will be required to support the costs of the professional advisors, (legal, financial and technical), appointed to support the Picture of Health implementation process, however, a bid has been made to the SEHD to support some of this expenditure.

Subject to external audit confirmation, there is an under spend of £18.601m available as a carry forward from 2006/07, of which £12.554m was deducted by the SEHD in February 2007, resulting in a net under spend per the annual accounts of £6.047m. Due to the timing of the capital investment programme over the next five to ten years, these funds are not required in 2007/08 and have not been included in the capital allocation for the year. A formal proposal will be made to SEHD that these funds are 'banked' for future years and are not re-instated in the current financial year.

5. Capital Expenditure

A total investment of £25.131m is planned for the current financial year. This largely reflects the projects which form part of the early Picture of Health programme, as well as statutory and ring-fenced expenditure and projects already underway. Included within this expenditure are the following:

- **Ongoing schemes brought forward from previous years**

NHS Lanarkshire is required to meet its share of the capital investment costs of regional developments including Adolescent Mental Health services within NHS Greater Glasgow and Clyde. It was initially anticipated that this would require to be funded in 2006/07, however due to a delay in the project, the requirement to provide capital has slipped into the current financial year.

An extension to the Greenhills Health Centre and dental facility in East Kilbride commenced toward the end of the year 2006/07. This work will be completed in the current year.

- **Primary Care Premises**

Early priorities within the Picture of Health programme include the replacement of the Bellshill Clinic and Carluke Health Centre, as well as the development of the Coatbridge Dental and Integrated Resource Centre. Construction on Bellshill Clinic will commence during this year and associated capital expenditure will be incurred. Carluke Health Centre has planning approval, with the Full Business Case expected to be considered by CIG and the NHS Board later this year. Coatbridge Dental and Integrated Resource Centre is also at planning stage, with North Lanarkshire Council leading this development. Fees are already being incurred on both of these developments and the capital budget for the year reflects the anticipated costs.

Airdrie Resource Centre is slightly less well progressed, but is also at planning stage, with the Outline Business Case approved earlier this year. This project is being undertaken with the developer AWG and it is likely that fees will be incurred during the year as work is progressed on the Full Business Case. However, due to the wider issues of any developments relating to the Monklands Hospital site, there is recognition that this may not be able to proceed beyond business case stage until the overall affordability of the plan can be confirmed, given the magnitude of the investment.

- **Modernising Mental Health and Learning Disability Services**

Work is continuing on the development of proposals for the Learning Disability Assessment and Treatment Centre. The Outline Business Case is being prepared and funding has been allocated within the capital budget for the year to cover the initial costs associated with the development. In addition, capital grants are being made available to the South Lanarkshire Council as a contribution to the capital costs of re-housing former patients, through the overall Learning Disabilities strategy. These two investments will complete the implementation of the current strategy.

Linked to the planned closure of Hartwoodhill Hospital and changes to the overall delivery of mental health services across Scotland, developments are planned at Coathill Hospital and Caird House for facilities to provide inpatient accommodation for adults with complex needs.

- **Acute Services / Acute Mental Health**

As part of the strategy for Acute services provision was made to develop two community casualty units. This will be reviewed alongside Monklands A&E Services, therefore, no capital expenditure is expected this year.

To facilitate the transfer of acute mental health services from Wishaw General, a site development plan has been undertaken of the Monklands Hospital site. A 142 bed acute mental health facility is planned, and the Outline Business Case is expected later this year, with some capital investment likely to be incurred by 31 March 2008. On a similar note to Airdrie Resource Centre, given the wider links to the overall development of the Monklands Hospital site, there is recognition that this may not be able to proceed beyond business case stage at this time.

- **Other**

Funding has been earmarked to facilitate the rationalisation of office accommodation and the re-location of the Headquarters function to the Kirklands Hospital site.

Linked to the sale of the Law Hospital site, funding has been set aside to meet the associated costs of car parking facilities at Law House. In addition, recognition of the need to improve car parking facilities at Wishaw General Hospital has also been made.

Capital investment is also planned in a number of other areas including work to comply with statutory standards, new and replacement medical equipment, IT equipment, external advisors, and minor capital works.

6. Assumptions

At this stage, there are no property disposals assumed for 2007/08. Capital receipts, including any profit on disposal, are made available by SEHD to offset capital expenditure during the year. Any further work to progress the sale of properties currently vacant across Lanarkshire will be reflected in the capital budget as a movement during the year.

The capital budget for 2006/07 was under spent by £18.601m. This is currently being reviewed by Price Waterhouse Coopers, as part of the external audit process for the annual accounts. Due to the level of capital resource available, and the profile of the Picture of Health capital investment, this funding is not likely to be required in 2007/08 and a formal offer will be made to SEHD that these funds are 'banked' for future years, to be re-instated as part of the carry forward in 2008/09.

7. Reporting Mechanism

The CIG will receive a formal report on a monthly basis which will set out actual expenditure against each line of the capital budget. This will encompass the 'non- added value' revenue expenditure as well as the capital expenditure. An ongoing assessment will be made of the likely year end position, with movements from budget being clearly monitored, and any necessary action undertaken.

Through the routine monthly finance report to the NHS Board, an update on the capital expenditure position will be provided.

8. Conclusion

The NHS Board is asked to:

- *approve the capital budget for 2007/08*
- *note the current position in relation to potential delays in Picture of Health capital projects*
- *note the planned underspend of £11.218m for the year.*

Susan Goldsmith
Director of Finance

21 June 2007

**NHS LANARKSHIRE
2007/08 CAPITAL PLAN**

	2007/08 £000
<u>CAPITAL RESOURCES:</u>	
Initial Capital Allocation:	28,390
Ring-fenced Allocations	
Medical Equipment	2,610
Primary Care Modernisation Fund - Dental	3,092
Primary Care Modernisation Fund - Kilsyth	2,500
Revised Allocation:	36,592
Anticipated Allocations:	
Energy Efficiency - to be allocated in-year	257
Non Added Value	2,000
Primary Care Modernisation Fund - Kilsyth (to be returned)	(2,500)
ADJUSTED NET ALLOCATION	£36,349
<u>CAPITAL EXPENDITURE:</u>	
<u>2006-07 B/fwd:</u>	
Adolescent Mental Health (NHS GG&C)	1,129
Greenhills Health Centre / Dental	401
	£1,530
<u>Primary Care Premises</u>	
Airdrie Resource Centre	802
Bellshill Resource Centre	2,200
Carluke Resource Centre	1,000
Larkhall Institute	800
Coatbridge Dental & Integrated Resource Centre	1,080
Hunter Health Centre, EK	550
	£6,432
<u>Modernising Psychiatric Services</u>	
LD Assessment & Treatment Centre	150
LD Housing (CAPITAL GRANT)	1,000
Adults Complex Needs Ward - Coathill incl Car Park	499
Adults Complex Needs - extend Caird House	384
	£2,033
<u>Picture of Health - Acute & Mental Health</u>	
Acute MH - Monklands	499
	£499
<u>Rationalise Accommodation</u>	
New H.Q.	1,000
	£1,000
<u>Statutory</u>	
Hospital Acquired Infection costs	306
DDA Compliance	510
Statutory	510
	£1,326
<u>Ring-Fenced</u>	
Medical Equipment	4,192
Extension to Biggar Dental	592
I M & T	2,550
	£7,334
<u>Car Parking</u>	
Law House - Site Car Park	1,600
Wishaw General Hospital - Site Car Park	1,500
	£3,100
<u>Other</u>	
Relocation of Kirklands Pharmacy	300
Energy	257
Minor Capital Works	810
Professional Fees	510
	£1,877
TOTAL CAPITAL EXPENDITURE	£25,131
(OVER) / UNDER COMMITTED	£11,218