

Meeting of
Lanarkshire NHS Board
26th March 2008

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SUBJECT: FINANCIAL INVESTMENT PROGRAMME 2008/09-2012/13

1. PURPOSE

This paper is intended to:

- provide an update on current and planned investment in premises of NHS Lanarkshire;
- seek approval for future capital investment in acute services at Monklands Hospital;
- request that the Board approve the Capital Financial Plan for 2008/09 - 2012/13
- request that the Board agree to prioritise the major capital investment programme in Primary Care, Mental Health and Learning Disabilities for 2008/09-2012/13.

2. BACKGROUND

Clarity on the Board's financial position in terms of the financial allocation and the implementation of the National Resources Allocation Committee (NRAC) Report has been received following completion and approval of the A&E Services Review. The details are outlined in the paper 'Financial Plan 2008/09-2012/13' and is a separate agenda item for the March Board Meeting.

The proposals for investment contained in this paper for major capital investment are based on the assumption that the Board approves the Financial Plan for 2008/09-2012/13 and the Capital Financial Plan for the same period.

3. 2007/08 AND 2008/09 ESTATE INVESTMENT

Investment in the Board's estate is not limited to major capital projects. During 2007/08 a total of £5.182m will be spent on general refurbishment and improvements to accommodation and will improve compliance with statutory requirements in NHS Lanarkshire premises. A further £9m is currently available across 2008/09 and 2009/10, of which firm plans have been established for £7.083m.

Details of the main projects and expenditure are shown in **Appendix 1**. These are largely funded from non-recurring revenue monies.

In addition, planning is underway for a further £2m of investment in the estate for 2008/09 and in 2009/10 above the programme shown in **Appendix 1**. The majority of this expenditure will be within Monklands Hospital and will be on projects considered to be general maintenance and general refurbishment. Further details regarding capital investment in Monklands Hospital is outlined below.

Investment in Monklands Hospital

Work undertaken by the Board's technical advisors (Currie & Brown) in respect of 'A Picture of Health' and the Review of Accident & Emergency Services highlighted the need for, and complexity of, estates investment in Monklands Hospital. The Board has always been committed to substantial investment in Monklands Hospital and identified that this would require to be based upon a clear clinical strategy for the hospital. This has now been clarified following the decision of the Cabinet Secretary on the Review of A&E Services on 27th February 2008.

It is intended that an Investment Plan be developed for Monklands Hospital utilising Currie & Brown and with stakeholder engagement. The plan will identify year on year investment in Monklands Hospital but will require to be structured to ensure the building not only remains safe and functional but also that the investment is aligned to the clinical requirements of the site. This work will commence with immediate effect and the framework of an Investment Plan will be completed during the current calendar year.

The Investment Plan will be based upon the approval of the Financial Plan which includes the £2m pa for general work for 2008/09 and 2009/10 as described above and £5m pa of capital monies for 2010/11-2012/13. This proposed long term investment will require to be approved through the Scottish Government (SG) Capital Investment process.

The first step in this process will be to submit an Initial Agreement document to the Scottish Government outlining the Board's Capital Investment Plan along with the supporting governance arrangements.

In addition to the above it is intended that new inpatient Mental Health services (see later section) will be developed on the Monklands Hospital site. This will be processed separately through the SG Capital Investment process but will impact upon the timing and location of investment in acute services in order to ensure an effective overall Site Development Plan.

4. OVERVIEW OF CAPITAL PLAN 2008/09 – 2012/13

Capital allocations for 2008/09 were announced on 10 March 2008, outlining the funding available for 2008/09 and indicative amounts for 2010/11 and 2011/12. For the purposes of the capital plan, it has been assumed that funding beyond year 3 will be at least equal to the allocation for year 3.

The existing capital formula (Arbuthnott formula adjusted for cross boundary flows and tertiary services) has been applied across NHS Scotland, resulting in baseline capital funding of £29.495m for 2008/09, with a further £3.034m ring fenced for Medical Equipment and £0.691m ring fenced for Ophthalmic Practices. No funding has been allocated from the Primary and Community Care Premises Modernisation Fund.

The table below sets out a high level summary of the planned capital investment over the coming five years, with a detailed schedule attached as **Appendix 2**. A net overspend of £1.060m is anticipated as at 31 March 2009, although this over commitment will be managed through slippage in year.

The capital plan assumes that the funding 'banked' with SGHD at the end of 2006/07 (£18.696m) will not be required in future years. In addition, it is recognised that we no longer require the £100m capital funding which the previous Government administration indicated would be made available for Monklands Hospital.

The forecast under spend for the current financial year (£19.43m) will be required by 2009/10 to meet the investment planned for that period. Through the LDP submission, formal approval to carry this forward will be required from SGHD.

Summary of Capital Plan 2008/09 - 2012/13					
	2008/09	2009/10	2010/11	2011/12	2012/13
	£m	£m	£m	£m	£m
Carry forward - prior year	0.000	(1.060)	(0.096)	7.870	21.483
Carry forward - 2007/08		19.430			
Net Capital Allocation	33.220	32.984	33.439	33.439	33.439
Capital Expenditure	36.280	53.450	27.473	21.826	21.901
Disposal Proceeds	2.000	2.000	2.000	2.000	2.000
(Over) / Underspend	<u>(1.060)</u>	<u>(0.096)</u>	<u>7.870</u>	<u>21.483</u>	<u>35.021</u>

During 2008/09, investment is planned on a number of specific developments such as Airdrie Resource Centre and Coatbridge Dental and Integrated Resource Centre, as well as the anticipated completion of the Bellshill Resource Centre. In addition, the plan sets out more general investment in Medical Equipment, IM&T and car parking across NHS Lanarkshire.

5. CAPITAL INVESTMENT PROGRAMME 2008/09-2012/13

The Board has consistently highlighted the need for significant investment in Primary Care, Mental Health and Learning Disability services and remains committed to providing as many of the community developments identified within 'A Picture of Health' as possible. With the change in the provision of A&E Services, and the completion of some capital projects, the total number of projects now outstanding is 16 and these are shown in **Appendix 3**. With such an extensive programme of work it was always planned that the developments would be undertaken in two tranches.

The Board now requires to prioritise the outstanding projects to identify those which will be undertaken in the next five years as part of the first tranche, which will be in addition to the planned investment in Monklands as described above.

To inform the Board's consideration of priorities for investment, a Stakeholder Engagement event was held on 3rd October 2007. This event brought together a range of clinical and managerial staff and representatives from user and carer organisations within Primary Care, Mental Health and Learning Disabilities. The participants were requested to prioritise a range of capital projects and the report of the outcome of this event has been circulated widely within Lanarkshire and to interested organisations and individuals. In addition Board members received detailed information regarding all projects following a recent Board seminar.

In determining the Capital Investment priorities for the next five years the projects do require to be assessed against the following criteria:

- delivery of patient and clinical benefits;
- to be open within the next five years;
- their impact upon other health services in Lanarkshire;
- the need to meet legislative requirements e.g. the Mental Health Care and Treatment Act (Scotland) 2003;
- the impact upon and extent of commitments to other partner agencies;
- affordability within the Financial Plan;
- the level of financial expenditure incurred to date;
- the level of planning work completed to date.

In assessing all sixteen identified projects shown in **Appendix 3** against the criteria, and taking into account the views from the stakeholder event, it is recommended that eight projects should be included in the capital programme over the next five years. These are:

- Airdrie Resource Centre
- Bellshill Resource Centre
- Caird House
- Carlisle Resource Centre

- Coatbridge Primary Care & Dental Centre
- Coathill Hospital
- Kirklands Hospital Learning Disabilities Assessment and Treatment Centre
- Monklands Hospital Mental Health Inpatient Unit

The full list of outstanding projects along with potential completion dates are shown in **Appendix 3**. All revenue consequences of these projects have been included in the Financial Plan 2008/09 – 2012/13

6. CHALLENGES

The known rate of NRAC growth is only firm for 2008/09, thereafter the financial Plan has made the assumption that an increase of £5m per annum is received for the four remaining years of the Plan. It will therefore be essential that the Capital Investment Programme is kept under review on an annual basis to ensure revenue growth can meet the impact of capital investment.

An annual review will also be required to take account of actual construction inflation. Construction costs to date have been assessed on an expected inflation rate of 8% and any significantly higher figure would impact on the ability to deliver all eight projects in the five year period. All revenue assumptions are based upon this inflation estimate and hence the need to ensure available revenue resources to match capital investment.

Whilst these challenges and uncertainties remain it is essential that the Board, in agreeing future capital investment, ensures the right balance between being over-cautious and cavalier approach to future investment. The annual review of the capital programme will ensure a prudent and pragmatic approach to investment. In addition all of the projects identified as priorities for the next five years will be subject to Business Case process and the Board will therefore have further opportunities to scrutinise and clarify the financial challenges prior to a final decision on individual major capital projects.

7. GOING FORWARD

The need for further capital investment in NHS Lanarkshire in Primary Care, Mental Health & Learning Disabilities beyond the 8 prioritised projects must remain a priority for the Board.

Should the Board approve the implementation of the 5-year programme described above, it is recommended that the other projects identified in **Appendix 3** continue to be kept under review and where possible early interim solutions will be identified. Planning work for the implementation of the second tranche of projects will be undertaken to enable projects to be completed as resources permit. It is expected that this will be after 2012/13 although establishing the Capital Plan for beyond this date will be completed

over the next three years. The current planning position on specific second tranche projects is outlined below:

East Kilbride Resource Centre

Discussions are currently ongoing with South Lanarkshire Council regarding the development of the East Kilbride town centre to include comprehensive health facilities which would replace Hunter Health Centre and co-locate other health services in East Kilbride. Formal commitment from NHS Lanarkshire will be necessary in 2009 although the full development would not be expected to open until 2013. Affordability of the project will be a key consideration.

Hamilton Resource Centre

With the development of Caird House it is necessary to re-locate a number of clinical and support staff. Work is currently being undertaken to assess whether improved accommodation can be provided in the Hamilton locality if the Hamilton Resource Centre cannot be delivered in the next five years. Further information on this work will be brought back to the Board over the next few months.

Community Casualty Units – Lanark & Cumbernauld

The provision of Community Casualty Units at Lanark and Cumbernauld were part of the reconfiguration of A&E Services under 'A Picture of Health'. As no significant change will now be made to emergency services the need to develop these facilities at this time is not as pressing. However it is recognised that the developments would be welcomed by the respective local populations and will be kept under review especially after the new hospital opens in Larbert in 2010/11 and after assessment of performance against the new HEAT target associated with reducing A&E attendances.

As planning on these second tranche projects continues it is inevitable that other demands for investment will also emerge as time progresses. Already consideration is being given to the impact of housing developments identified in the Local Plans of both North and South Lanarkshire Councils and the demand which they will place on Primary Care Services. This includes planned housing developments such as the former Ravenscraig site, south Cumbernauld and East Wishaw and Torhead Farm, Hamilton. It is intended that further discussions will be held with both councils to clarify timescales and growth.

In addition there will be capital demands arising from the transfer of operational responsibility for primary care and community based NHS Services in the Cambuslang/Rutherglen locality and the Northern Corridor area. Such demands still require to be clarified.

Further pressures for capital investment will arise from the need to improve the facilities of GP owned premises and changes to acute services which may arise from the expected challenges in meeting the 18-week Referral to Treatment guarantee. These are not quantified or clarified at this stage.

The Board will be kept advised of progress in developing priorities for capital investment beyond 2012/13.

8. RECOMMENDATIONS

The Board is requested to:

- note the significant estate investment completed in 2007/08 and to be undertaken in 2008/09;
- approve the Capital Financial Plan for the period 2008/09-2012/2013
- agree the Capital Investment plan priorities for 2008/09-2012/13 which are:
 - Airdrie Resource Centre
 - Bellshill Resource Centre
 - Caird House
 - Carluke Resource Centre
 - Coatbridge Primary Care & Dental Centre
 - Coathill Hospital
 - Kirklands Hospital Learning Disabilities Assessment and Treatment Centre
 - Monklands Hospital Mental Health Inpatient Unit, and
- note that planning of further capital investment will continue and to receive future progress reports.

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