

Subject:	Capital Programme 2013-14
Prepared by: Sponsored by: Presented by:	Andy Burrows – Director of Redevelopment Ben Lloyd – Director of Finance and Investment Ben Lloyd – Director of Finance and Investment
Purpose of paper	To seek formal Trust Board approval of the Capital Programme for 2013-14.
Key points for Trust Board members <i>Briefly summarise in bullet point format the main points and key issues that the Trust Board members should focus on including conclusions and proposals</i>	The capital programme for 2013-14 has been revised and reduced to secure an overall improvement to the Trust's liquidity position of £2.5m. This has been necessary in response to the cash implications of the Trust submitting a planned revenue deficit. The proposed capital programme aligns to the Trust's notified Capital Resource Limit (CRL).
Options and decisions required	The Trust Board is asked to approve the capital programme for 2013-14 as detailed within the paper.
Next steps / future actions: <i>Clearly identify what will follow the Trust Board's discussion</i>	Formal notification of the allocations within the approved capital programme to capital scheme leads.
Consideration of legal issues (including Equality Impact Assessment)?	None
Consideration of Public and Patient Involvement and Communications Implications?	None

Links to Portsmouth Hospitals NHS Trust Board Strategic Aims, Assurance Framework/Corporate Risk Register

Strategic Aim	1 Deliver Safe, High Quality Patient Centred Care (Capital investment to support Trust Strategic Aims)
BAF/Corporate Risk Register Reference (if applicable)	N/A
Risk Description	N/A
CQC Reference	N/A

Committees/Meetings at which paper has been approved:	Date
--	-------------

Senior Management Team prioritised the initial draft capital programme	April
Finance Committee request for £2.5m capital cash reduction	May
Senior Management Team revised Capital Programme for 2013-14	21 Aug

Capital Programme 2013-14

Introduction

This paper provides a summary of the updated capital programme for 2013-14 and seeks formal Trust Board approval. It has been necessary to reduce the programme from a cash perspective by circa £2.5m as a direct consequence of the planned revenue deficit.

Background

The Trust developed an original proposed capital programme for 2013-14 which reflected the following key factors:

- New investment for 2013-14 at £10m (in line with overall affordability projections incorporated into the Long Term Financial Model. In addition, £4.7m has incorporated to support the capitalisation of relevant PFI lifecycle maintenance costs in accordance with the Trust's Accounting Policy.
- Essential capital schemes delayed from 2012/13 to assist with the Trust's cash / liquidity position at circa £2.3m have been prioritised as 'first call' on the available £10m – placing significant pressure on the overall capital programme resulting in only the highest priority new schemes being considered.
- The capital programme outturn for 2012-13 identified £0.7m of committed capital schemes that were not delivered by 31 March 2013. The capital programme for 2013-14 was therefore increased by this sum recognising that the associated cash would remain within the Trust's working capital as at 31 March 2013.
- In addition, although not representing a cash outflow, the capital programme has a general provision against the capital resource limit (CRL) for known / potential finance leases of £6.5m (e.g. PACs system replacement, potential pathology consortium; Da Vinci robot). This means the Trust will have a higher CRL to accommodate the capitalisation of the assets within these finance leases without placing further pressure on the Trust's liquidity position. (NB: the annual cash flow in respect of finance leases is charged against the relevant revenue budgets and the associated finance creditor).
- NB: The capital original capital programme for 2013-14 was developed within the context of liquidity arising from a £1m planned revenue surplus.

As part of the business planning process, the Senior Management Team (SMT) reviewed a long list of prioritised capital requirements submitted by each on the Clinical Service Centres and confirmed the list of schemes for inclusion in the capital programme.

The original capital programme for 2013-14 is summarised as:

	2013-14
	£'000
Commitments planned to slip from 2012-13	579
Commitments unplanned slip from 2012-13	715
MRI replacements (incl £1.7m planned slip)	3,000
Medical Equipment Replacement	1,400
ICT investment and service developments	2,821
Transformation investment	1,250
Estate Strategy & Rationalisation	600
Network computers via revenue	350
PFI capitalise lifecycle maintenance	4,721
PACs replacement – viewing monitors	550
Finance lease movements (non-cash)	6,450
Donated additions	504
Central NHS funding	26
Total Gross Capital Expenditure	22,966
Less	
Finance lease movements (non-cash)	(6,450)
Planned movement working capital	0
Total Capital Cash Requirement	16,516

Revised capital programme 2013-14

Following submission by the Trust of a planned £5m revenue deficit the Finance Committee concluded that there needed to be a £2.5m reduction in cash terms to the capital programme, in order maintain a reasonable liquidity / cash position. As a consequence the proposed capital programme has been further reviewed with the key movements informing a revised programme summarised below:

- An increase to the allocation from £3.0m to £3.5m for the MRI replacements to reflect the inclusion of all associated costs, in particular building works and potential enhancement of the water and electrical infrastructure to ensure there is sufficient capacity available. There will also be income at £0.1m from the sale of the existing MRI which will create an equivalent benefit to revenue as a 'profit on disposal'. The Trust has secured Chairman's Action for this scheme given its revised overall value. To assist the Trust's cash position, whilst the second MRI replacement will be installed prior to the end of the financial year it will not be payable, circa £1.3m, until the 14-15 financial year.
- Given the overall constraint of the capital programme only the highest priority general medical equipment replacements are included with an original allocation at £1.4m. In response to the need to reduce the cash impact of these replacements during 13-14 only those replacements that are considered to be essential will be installed prior to 31 March 14. All other prioritised replacements will be progressed but not procured until April / May

2014. This approach provides operational services with the confidence that all required items will be replaced by summer next year at the latest, albeit on a slightly longer timescale than original envisaged. There will be a contingency sum held in case any existing equipment deteriorates prior to the revised replacement dates. It is anticipated that this approach will ensure a benefit of £0.5m to the Trust's cash position.

Clinical Service Centres, supported by the Trust's Medical Devices Management Committee will closely monitor any risks associated with the need to put back some of the planned equipment replacements. The list of equipment replacements is shown at Appendix A

- The level of planned capital investment to support the Trust's transformation agenda has been significantly reduced following confirmation that a number of the workstreams will be progressed 'in-house'. A provision of £0.4m remains within the capital programme.
- It has been necessary to further review the Trust's ICT programme. Although it was initially assumed that it may be necessary to reduce the £2.8m by £0.75m it has been concluded, following a high-level risk review that this programme should only be reduced to £2.45m.

The revised capital programme for 2013-14 is summarised as:

		2013-14
		£'000
Commitments planned to slip from 2012-13	(less £24k)	555
Commitments unplanned slip from 2012-13	(plus £82k)	797
MRI replacements (incl £1.7m planned slip)	(excl.£96k income)	3,479
Medical Equipment Replacement	(£500k to 14-15)	900
ICT investment and service developments	(reduced by £371k)	2,450
Transformation investment	(reduced)	400
Transformation investment – Inventory Management		50
Estate Strategy & Rationalisation		600
Network computers via revenue		350
PFI capitalise lifecycle maintenance		4,721
PACs replacement – viewing monitors		550
Finance lease movements (non-cash)		6,201
Donated additions	(plus £59k)	563
Central NHS funding		26
Total Gross Capital Expenditure		21,642
Less		
Finance lease movements (non-cash)		(6,201)
Planned movement working capital		(1,336)
Total Capital Cash Requirement		14,105

In summary:

The gross capital expenditure requirement has been reduced from £22,966,000 to £21,642,000.

The formally notified Capital Resource Limit for 2013-14, adjusted for anticipated movements, is also £21,642,000. However, the following adjustments are made to the gross capital expenditure to derive the actual charge to the CRL:-

Total Gross Capital Expenditure	21,642
Less:	
Donated additions	(563)
Disposed equipment (net book value disposed – known YTD)	(123)
Forecast charge against the CRL target of £21,642k	20,956

The Trust is therefore currently planning to undershoot against its CRL.

The overall associated capital cash requirement has been reduced by £2,411,000 from £16,516,000 to £14,105,000. In addition there will be £96,000 revenue cash benefit from the sale of the old MRI when replaced.

Overall cash reduction / benefit £2,507,000.

Conclusion and Recommendation

The revised capital programme for 2013-14 has been reduced to secure an overall improvement to the Trust's liquidity position of £2.5m. This has been necessary in response to the cash implications of the Trust submitting a planned revenue deficit.

The Trust Board is asked to approve the revised capital programme for 2013-14 as detailed above.

Medical Equipment Replacements £'000

Priority procurement for 2013

ENT Theatre Microscopes (x2)	Priority for 2013	48
Vascular Imaging Ultrasound	Priority for 2013	96
Cardiology Transoesophageal Echo	Priority for 2013	150
MRI compatible Anaesthetic Machine	Priority for 2013	60
Power Tools (MSK)	Priority for 2013	265
Wheelchairs (specialist)	Priority for 2013	35
Audiology (Unity system)	Priority for 2013	170
Colposcope (W&C)	Priority for 2013	10
Contingency sum (MDMC approval required)		66

Total (capital cash flow in 13-14 at £900k) 900

Defer Delivery until April / May 2014

OCT Machine for Medical Retina (H&N)	Defer to Apr /May 14	72
PASCAL Laser Diabetic Retinopathy	Defer to Apr /May 14	84
Operating Tables replacement programme (x2)	Defer to Apr /May 14	60
Anaesthetic Machine Theatres (x2)	Defer to Apr /May 14	60
Resuscitaires (x4) (W&C)	Defer to Apr /May 14	53
Laparoscopic instruments	Defer to Apr /May 14	60
Flexi scopes	Defer to Apr /May 14	120
SLE 2000 Ventilators (x2) (W&C)	Defer to Apr /May 14	62

Total (capital cash flow in 14-15 at £571k) 571

ICT Capital Programme 2013-14	Original	Revised
	£'000	£'000
Essential IT Infrastructure Replacement		
Server Virtualisation	50	28
Data Network Cabinet Upgrades	24	0
N3 Network Security Hardware Replacement	38	40
Wide Area Network Reprocurment	132	104
Mobile Device Replacement	75	50
Email & Storage Capacity Expansion	103	100
Shared IT Services Transition	33	30
Systems Interface Strategy	178	135
Chimera Development	113	80
Essential IT Infrastructure Improvement		
iDesktop	1000	941
IT Strategy Clinical Information Systems		
Clinical Information Systems Programme Initiative	38	0
Cost Improvement Initiatives		
e-Forms Development	65	50
Electronic Fax Gateways	33	30
Automation of Patient Appointment Letters	75	65
Infrastructure for Systems Implementation		
PACs local Infrastructure	94	80
Eye Department System upgrade	0	5
Pharmacy e-Prescribing Local Infrastructure	55	52
Tactical Clinical Services IT Improvement		
ED Systems Procurement & implementation	366	450
Mainstreaming VitalPAC	85	60
Pathology ED Electronic OrderComms	24	40
Pathology Outpatient Electronic OrderComms	56	0
Radiology OrderComms	56	50
Electronic Distribution of Patient Correspondence to GPs	66	60
Graphnet v2 upgrade	24	0
Trust Service Improvements		
Replacement website, intranet and extranet	38	0
Total ICT Capital Programme 2013-14	2821	2450

