

Excellence in rural healthcare

To:	Trust Board
From:	Paul Matthew, Interim Director of Finance, Procurement & Corporate Affairs
Date:	30th April 2019

Title:	Proposed Capital Investment Plan 2019/20										
Author/Responsible Director:	Paul Matthew, Interim Director of Finance and Procurement										
Purpose of the Report:	To provide Trust Board with a proposed capital investment plan for 2019/20.										
The Report is provided to the Board for:	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; padding: 5px; width: 30%;">Information</td> <td style="border: 1px solid black; width: 10%;"></td> <td style="border: 1px solid black; padding: 5px; width: 30%;">Assurance</td> <td style="border: 1px solid black; width: 10%;"></td> </tr> <tr> <td style="border: 1px solid black; padding: 5px;">Discussion</td> <td style="border: 1px solid black; text-align: center;">√</td> <td style="border: 1px solid black; padding: 5px;">Decision</td> <td style="border: 1px solid black; text-align: center;">√</td> </tr> </table>			Information		Assurance		Discussion	√	Decision	√
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Discussion	√	Decision	√								

Funding available 2019/20

The Trust has capital resources of c£33m for 2019/20 including ring-fenced funding e.g. Fire, Medical School and LED Lighting.

The Trust has very limited discretionary capital resources available, totalling c£8.6m - the discretionary capital available has been reduced due to the requirement to pay the fire loan. This leaves limited resources available to prioritise against Medical Device replacement, IT infrastructure and replacement, Estates Backlog and Service and Digital Developments.

Prioritisation process 2019/20

Due to the limited discretionary capital, there is a requirement to prioritise where the available resources are to be allocated. This needs to take into account any pre-commitments agreed during 2018/19 alongside a prioritised requirement for 2019/20. All funding allocations will be subject to an approved business case process.

Prioritised requirement (excluding Estates)

The key groups within the Trust have been written to with the request to provide their capital priorities for the next 5 financial years, referenced to DATIX and utilising the NHSI prioritisation scoring matrix based on a 1-5 score across each of;

- Quality
- Performance
- Access.
- Financial Improvement.

Each of the 4 metrics are given the same weighting. The combined score ranging between 1-20 is included in

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Appendix 1 for the submissions from; the Medical Devices Group (MDG) for replacement equipment, IT and Radiology. These groups have where relevant a multidisciplinary and cross Divisional membership.

The total requirement from these groups totals c£29.9m in 19/20. However c£14.2m MDG replacement would need to be removed from 19/20 as it is not deliverable in year based on capacity within Clinical Engineering and the ability to manage the risk through preventative maintenance both in house and external.

Estates backlog (excluding schemes that have an approved ring-fenced funding source e.g. Fire and LED)

Estates have used 2 scoring methodologies, those being:

- Same NHSI 1-5 score as above and;
- A scoring matrix of Statutory (RR), Mandatory (R) and Functionally Critical (AR), to signal their internal view of risk for 2019/20.

Definitions of Statutory, Mandatory and Functionally Critical are:

Statutory

Definition: Tasks having a statutory and legislative requirement to undertake. Tasks which are referred to in legislative acts and supporting documents such as approved codes of practice, Health Technical Memoranda or Health Building Notes

Mandatory

Definition: Tasks which are deemed critical to ensure organisation sector compliance. Tasks which are referred to in supporting documents such as approved codes of practice, Health Technical Memoranda or Health Building Notes

Functionally Critical

Definition: Tasks that impact on operational performance and service objectives if they fail. Intervention has been defined to avoid unplanned breakdowns. Failure could result in a breach of Statutory or Mandatory requirements.

The Estates requirement for statutory in 19/20 totals £14.3m, and non-statutory equates to a further £2.5m.

Estates have provided a deliverability forecast for 19/20 and this equates to c£3.5m of the £14.3m required. Deliverability takes into account the requirement to also deliver the Fire capital programme, alongside LED lighting, Medical School and on-going schemes from 2018/19. This will leave 'risk' around the schemes that cannot be progressed and details of how Estates will manage this are below.

Details of the capital requirements and prioritisation for Estates can be found in Appendix 2.

Estates Risk Management

The Trust is carrying c£102m of statutory – high and significant risk backlog this figure is derived from the 2016/17 STP backlog re-quantification survey undertaken by professional advisors on behalf of the Lincolnshire wide STP.

Working alongside the finance department, the estates teams have graded the statutory capital risks – the objective being to develop a pragmatic approach to delivering the highest risk most deliverable of schemes. Estates have prioritised what can be reasonably achieved within the financial year to support delivery against the statutory risks and c£3.5m is believed to be realistically deliverable when factors such as service disruption are considered.

The Trust, as is the case with other NHS organisations, carries and manages statutory requirements through its governance systems – risk identification and mitigation is used as part of this management process therefore risks are not necessarily removed purely by deploying capital – but by undertaking a series of actions, those being:

1. Policies and Procedures 2. Roles and Responsibilities 3. Training and communication of principles 4. Risk Assessment and Technical Information 5. Testing and Maintenance 6. Targeted Capital Investment 7.

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Upwards assurance reporting

ULHT estates and facilities directorate, working to FPEC, has been progressing to a system of core risk categorisation (mechanical, electrical, asbestos, water, fire, patient environment, energy and sustainability, security, health and safety, estates strategy). Core risk areas are developing technical working groups set against them who examine and manage identified risks through inspection testing, revenue maintenance and capital investment. Examples of this are Fire Safety, Water Safety and Asbestos Management. These groups use risk identification and grading to manage work programmes targeted at managing and mitigating statutory legal requirements such as fire safety enforcement notices.

The Trust has carried high levels of statutory backlog and the below details how this is managed and mechanisms for dealing with unforeseen incidents or critical infrastructure risks which could materialise in year:

1. Improve maintenance activities – prevent failures before they happen – move from a reactive funded estate to a planned maintenance estates.
2. Continue to drive up statutory testing and inspection revenue regimes – compliance evidence and assurance is key to satisfying statutory bodies – Health and Safety, Fire Authorities, CQC.
3. Risk assessments – match technical risk assessments to clinical risk assessment so that patient safety vulnerability's can be mapped to physical environment.
4. Send the challenges up to NHSI/ DH – make applications for emergency funding – use the backlog surveys to priorities clinical investment areas for business case submissions.
5. Externalise the challenges through a system wide agreed 'Estates Strategy'.

Proposed Capital Investment Plan 2019/20

Following the identification of capital requirements from the above, the proposal for the full 2019/20 capital programme is contained in Appendix 3 together with status of scheme and risk where available currently. Summary details below:

	£'000
Total Available Capital Resource	£ 33,005.0
Estates & Fire Total	£ 25,089.0
Medical Equipment Total	£ 1,873.0
IT Total	£ 2,335.4
Other Total	£ 3,700.0
Grand Total	£ 32,997.4
Sale of Welland	£ 500.0
Unallocated Contingency	£ 507.6

Risk remaining

There remains a significant number of high scored schemes that are unaffordable, due to capital constraints, in 19/20, together with two particular IT schemes that could present a significant risk if the existing equipment fails. These are identified in Appendix 4.

There is further work required to understand the changes in 'risk' scoring by investing in the schemes identified i.e. current, end of 19/20 and once scheme completed if spans financial years, together with identifying where investment in year 1 leads to a contractual pre-commitment against a future years capital allocation.

As a note, within this plan funding does not stretch to support Divisions with business cases, and any

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'approved in principle' schemes would need to be added to a prioritisation list alongside those detailed here with a view to slippage in the capital programme potentially providing financial support.

Other sources of Capital Funding

The Trust has been allocated or in the process or submitting for further capital funding linked to the following:

- E-Health Record – via HSLI funding totalling £0.976m (*refer to Investment Status update below*)
- Medical School – successful in 18/19 via STP Estates wave 4 bid totalling £1.5m
- LED Lighting – via Energy Efficiency Fund in 18/19 totalling £2.8m (*refer to Investment Status update below*)
- Fire – carried forward from 18/19 totalling £13.4m, although £1.7m of this carry-forward has not had final approval from DHSC yet – NHSI are following up and will confirm.
- EPC – investment required is £3.7m funded through a 'salix' loan (*refer to Investment Status update below*)

Further external funding – The Trust will continue to apply and maximise for all available additional funding applicable including through and working with the STP and NHSI.

Maximising Capital resources

To maximise the limited capital available the Trust is actively pursuing options to reduce the number of requests to the capital programme. This includes exploring

Managed Equipment Service (MES) aimed initially at Radiology (big ticket) medical equipment replacement and potential expansion that may be rolled out to other areas.

Joint Venture Partnerships (JVP) – Working with STP colleagues conversations are at an early stage for developing a model for Aseptic Services, supported by the CSS Division.

Charitable Funds – Targeted fund raising, similar to the model for the MRI Louth.

SALIX Loans – See EPC narrative above

Emergency Capital funding – currently working alongside NHSI to understand the requirements in order to 'bid' for additional funding support. This would cover, for example, issues such as Fluoroscopy Units at LCH & PHB or Electrical Infrastructure at PHB.

Investment Status update

EPC

CRIG previously received and approved the Outline Business Case for the EPC. CRIG asked ET to debate the benefits of including backlog maintenance reduction schemes within the EPC. A paper on the risks was presented to ET on 7th February. Having received the paper ET approved in principle. An updated case will be coming via FPEC to Trust Board. The case is based on accessing a SALIX loan to support the investment.

E-Prescribing

The Trust submitted the E-Prescribing Trust Board approved business case direct to NHSI regional team at the beginning of July. Subsequently the Trust submitted specific documentation on 3rd September to apply for wave 1 E-Prescribing ring-fenced monies – the case was not supported by the national team delaying implementation and financial benefits. The Trust re-submitted on 31st January 2019 following a review of the documentation/evidence provided (and under the guidance of NHSI) and unfortunately was unsuccessful again – the bid value was £1.325m which would have been matched by ULHT over 3 financial years. The

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Trust have escalated the decision to the regional NHSI team at the March PRM. The Trust is also going to appeal the decision.

E-Health Record

Through the national IT capital allocation for providers the Lincolnshire STP has been awarded £5.4m phased over 3 financial years. The Trust has worked with the partner organisations to prioritise this funding for year 1 - £1.4m - with monies for E-Health Record part of this, totalling £976k. Whilst this E-HR submission has been approved at Regional level, 'National level' have asked for some further assurances and decision is awaited.

Assurance around ULHTs strategy for PAS and confirmation was provided regarding the use of Medway which was received well, as this is consistent with other Trusts in the region. Further breakdown was requested in terms of procurement process and where spend was to be incurred. Negotiation took place around deferring the allocation of £976k into 19/20 with the requirement to attend a workshop in April to give further assurance regarding the strategy moving forward. Following the April workshop, assuming necessary assurance is provided, the funding will be released soon after.

There may be further opportunities to access HSLI monies in 19/20 and 20/21 for this and other IT schemes.

LED Lighting

The Trust submitted an application to NHS Energy Efficiency Fund (NEEF) for LED lighting. This was successful and there has been a provisional award in the sum of £2.8m. This award is currently conditional as further information submissions are required.

Recommendations:

Trust Board is asked to discuss and approve the proposed capital plan subject to accepting the remaining risk.

Strategic Risk Register

Performance KPIs year to date

Resource Implications (eg Financial, HR) – Financial

Assurance Implications – Assurance that the available capital resources are correctly deployed to balance compliance and development.