

Capital Programme Priorities

2017/18 Impact of the Fire Safety Improvement Programme

1. Purpose

The purpose of this report is to consider the impact upon the Trusts capital and revenue priorities for 2017/18 should extended funding fall short of the cost of responding to the Fire enforcement notices.

2. Background

2.1 At the beginning of the current financial year the Trust Board agreed a capital Improvement Programme based upon internally generated resources available (through depreciation) of £12.4 million; and agreed the following planned spend.

	<u>£m</u>
Pre-commitments from 2016/17	2.7
CQC priority investments	2.7
High priority medical devices replacement	2.0
High priority estates and backlog	3.0
IT (including cyber security)	<u>2.0</u>
	<u>12.4</u>

2.2 The recent fire incidents at Grantham, Pilgrim and Lincoln County Hospital have resulted in the Trust being served fire enforcement notices for the Pilgrim and Lincoln County sites. To respond fully to the requirements of the enforcement notices and associated works at Grantham Hospital an anticipated investment of £46.7million is required over a 24 month period, spanning the three financial years 2017/18 to 2019/20.

2.3 A detailed business case to reflect the £46.7million was constructed and submitted to NHSI. This took into account the expected level of contribution from the Trusts own internally generated resources over the three financial years of £6.1million, resulting in a request for external support of £40.6million over the same three year period:

	2017/18 £m	2018/19 £m	2019/20 £m	Total Funding requirement
Fire Enforcement Notice and associated works - Pilgrim	7.0	7.3	3.5	17.7
Fire Enforcement Notice and associated works - Lincoln	5.2	7.8	3.8	16.9
Fire Action Plan and associated works – Grantham	4.5	5.1	2.4	12.0
Total Cost	16.7	20.3	9.7	46.7
Trust Contribution	2.1	2.0	2.0	6.1
Total Funding requirement	14.6	18.3	7.7	40.6

2.4 Taking into account the £2.1 million contribution from the Trust the 2017/18 total external funding of £14.6 million is required to meet the programme of investment, which includes a contingency of £1.92 million.

2.5 On 24 August 2017 the Trust received notification that the DH had approved a loan of £9.5 million for 2017/18. Should the £1.92 million contingency still be required in 2017/18 then this leaves a shortfall of £5.1 million.

2.6 Advice from NHSI on 29 August indicates that there can be no guarantees about when and how much the DH will fund above the £9.5 million already confirmed for 2017/18; but with an expectation that the Trust will:-

- Finalise and firm up the costings, so that they can be validated by the NHS Project Appraisal Unit.
- Provide more information to justify the need for further £5.1 million in 2017/18

3. Capital Funding shortfall

3.1 For the Trust to complete its core capital programme (including the £2.1 million directed to the Fire Safety Improvement Programme) then funding of £5.1 million is required, being:

	<u>£m</u>	<u>£m</u>
Core Programme (less £2.1million fire investment)	(10.3)	
Fire safety improvement programme	(16.7)	(27.0)
Funds available		
• Internally generated resource	12.4	
• Agreed loan	9.5	21.9
Shortfall		<u>(£5.1)</u>

4. Spend committed to date: Core programme (i.e excluding fire)

4.1 As at the end of August the Trust is 'locked' into spend of £4.5million out of the total core programme of £10.3 million. This takes into account the actual spend to date, expected committed spend to the end of August and contracted commitments outstanding. This leaves a balance of £5.8million still uncommitted.

5. Consideration

5.1 Should the additional £5.1million loan funding not be forthcoming then to preserve the priority given to funding the Fire Safety Improvement programme (including contingency of £1.92million), the Trust Board would have to cease the majority of the remaining core capital programme priorities, which are:-

	£m	High level consequence
Grantham endoscopy upgrade	0.6	Failure to meet JAG accreditation standards and loss of revenue income
CQC priority investment		
- Estates	1.4	
- Medical Records	0.4	Failure to respond to CQC urgent priorities
- Digital dictation	0.4	
Medical Devices	0.8	Failure to replace high risk medical equipment/ medical equipment failure
Estates		
- Asbestos	0.4	Failure to comply with standards and risk of statutory intervention
- Water compliance	0.3	
IT	1.5	-IT and storage failure - Failure to strengthen cyber security
	5.8	

5.2 The Board is asked to consider the next steps. One proposition to consider might be:-

- 5.2.1 That the Trust continues to give priority to responding to the fire notices in line with the business case submitted to NHSI.
- 5.2.2 That the Trust revisits the costings and resubmits the proposals via NHSI as a matter of urgency.
- 5.2.3 To the extent that the above review reduces the costs in 2017/18 (including the need for contingency) then the Board proceeds with investment to start to address:-
- The CQC priorities; and
 - Individual schemes where a detailed risk assessment identifies a very high risk of imminent failure.

To the extent that all of the above cannot be addressed then the Executive Team will prioritise based upon relative risk.

- 5.2.4 Should additional funding be agreed by the DH for 2017/18 then we proceed with all of the original priorities in the core capital programme.

6. Revenue

The business case submitted to NHSI also included the request for additional revenue support of £1.3 million which, to date, has not been supported.

In the absence of any additional resources the Trust Board needs to consider how to reprioritise our expenditure plans so as to ensure that our deficit plan of £75million is not undermined.

7. Recommendations

The Trust Board is asked to:-

- 7.1 Consider and agree the approved capital priorities for the remainder of 2017/18, and
- 7.2 Consider the revenue funding implications of the Fire Safety Improvement Plan for 2017/18

Kevin Turner
Deputy Chief Executive