

Reconfiguration Programme Expenditure

Authors: Nicky Topham and Darryn Kerr

Sponsor: Simon Lazarus

Paper F

Purpose of report:

This paper is for:	Description	Select (X)
Decision	To formally receive a report and approve its recommendations OR a particular course of action	x
Discussion	To discuss, in depth, a report noting its implications without formally approving a recommendation or action	
Assurance	To assure the Board that systems and processes are in place, or to advise a gap along with treatment plan	
Noting	For noting without the need for discussion	x

Previous consideration:

Meeting	Date	Please clarify the purpose of the paper to that meeting using the categories above
Reconfiguration Programme Cmtee	22.12.2020	Decision and noting
Executive Board – ESB	05.01.2021	Decision and noting
Trust Board Committee		
Trust Board		

Executive Summary

Context

The report updates the Trust Board on the financial position in relation to the Reconfiguration Programme together with an update on 2020/21 Reconfiguration Capital Spend against the Trust's annual Capital Plan.

Questions

1. What is the financial envelope for the Reconfiguration programme?
2. What was the total reconfiguration programme year to date capital expenditure for 2020/21?
3. What is the total reconfiguration programme forecast capital expenditure for 2020/21?

Conclusion

1. The approved financial envelope of the Reconfiguration Programme is £460m including Public Dividend Capital (PDC) of £450m, Donations of £3m and CDEL of £7m.

As previously reported to the Trust Board, the programme has submitted a request to NHSE/I for additional capital of £97.8m together with indicative costings in relation to undefined policy requirements including pandemic-proofing, the delivery of carbon zero and a fully digital hospital.

In addition, clarification is being sought in relation to using the sale proceeds from the intended disposal of part of LGH to provide additional capital headroom, specifically to fund additional single rooms in relation to pandemic-proofing. At the time of writing, a meeting is scheduled with NSHE/I for 18th December to discuss this issue.

The programme is still waiting to formally hear on the additional capital funding and is continuing to work on the clinical and operational red lines in the event of a funding cap of £450m.

Clarification on the funding envelope is critical for the Reconfiguration Programme in order to progress with design, avoid abortive costs and to keep the programme on track.

2. As at the end of the November 2020, year to date spend is £13.5m which is £16.6m underspent due to slippage in the Reconfiguration Programme where the plan assumed an August OBC start together with an underspend within the EMCHC and Interim ICU schemes.
3. The forecast spend for 2020/21 is £28.8m which is £26m less than Plan driven by the re-phasing of the PDC drawdown to reflect the current Reconfiguration Programme. This requires £6m PDC drawdown in the year of which £3.6m is approved drawdown and a request of £2.4m for additional drawdown has been submitted. This is critical to ensure continued funding of existing costs of the programme e.g. UHL staff and professional advisers plus appointment to the design team. In the absence of approved funding, the Programme may need to consider requesting the Trust to fund until the drawdown is received.

Input Sought

The Trust Board is asked to **NOTE** the M8 spend for the 2020/21 Financial Year and **SUPPORT** the proposal to request interim funding from the Trust pending approval to drawdown additional fees.

For Reference:

This report relates to the following UHL quality and supporting priorities:

Equality Impact As

1. Quality priorities

Safe, surgery and procedures	[Yes]
Improved Cancer pathways	[Yes]
Streamlined emergency care	[Yes]
Better care pathways	[Yes]

Ward accreditation [Yes]

2. Supporting priorities:

People strategy implementation [Yes]
 Investment in sustainable Estate and reconfiguration [Yes]
 e-Hospital [Yes]
 Embedded research, training and education [Yes]
 Embed innovation in recovery and renewal [Yes]
 Sustainable finances [Yes]

3. Assessment and Patient and Public Involvement considerations:

- What was the outcome of your Equality Impact Assessment (EIA)? N/A
- Briefly describe the Patient and Public Involvement (PPI) activities undertaken in relation to this report, or confirm that none were required. Part of individual projects.
- How did the outcome of the EIA influence your Patient and Public Involvement? Part of individual projects.
- If an EIA was not carried out, what was the rationale for this decision? N/A at this stage

4. Risk and Assurance

Risk Reference:

Does this paper reference a risk event?	Select (X)	Risk Description:
Strategic: Does this link to a <i>Principal Risk</i> on the BAF?	X	PR 7 – Reconfiguration of estate
Organisational: Does this link to an <i>Operational/Corporate Risk</i> on Datix Register		
New Risk identified in paper: What <i>type</i> and <i>description</i> ?		
None		

5. Scheduled date for the **next paper** on this topic: [Jan 2021]

6. Executive Summaries should not exceed **5 sides** [My paper does comply]

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**REPORT TO: RECONFIGURATION TRUST BOARD****DATE: 07 JANUARY 2021****SUBJECT: PROGRAMME EXPENDITURE**

1. INTRODUCTION

1.1. This report updates the Trust Board on the financial position of the programme together with 2020/21 spend against the agreed capital plan.

2. RECONFIGURATION CAPITAL PROGRAMME: OVERALL UPDATE

2.1. Consultation started on 28th September 2020 with its conclusion on December 21st. At this point it is unclear exactly when the Decision Making Business Case (DMBC) will be concluded, owing to the quantum of data that will need to be assimilated at the end of the process, although it is anticipated that this will be in March or April.

2.2. As previously reported to the Trust Board in addition to the PDC, additional sources of funding has been committed to support the reconfiguration programme with the overall funding envelope at £460m. It should be noted that all internal reporting will reflect £460m as the baseline capital in relation to the Reconfiguration Programme. However, for external purposes spend will be reported against the PDC funding of £450m.

2.3. To date, the Programme has received approval to drawdown £3.2m in relation to Pre-OBC development and £1.07m design fees in relation to the early projects within the programme.

2.4. In addition to the approved drawdown described in paragraph 2.3, the Programme is seeking approval to drawdown the following additional funds:

- £1.5m in relation to a dedicated PMO facility. The Business Case has been approved by the Trust Board and submitted to NHSE/I and DHSC which is due to be considered at the Joint Investment Committee on 15th December;
- £8.9m in relation to the Decontamination Business Case which has been approved by the Trust Board and is due to be considered at the February Joint Investment Committee upon receipt of planning approval on January 28th;
- £2.4m for additional fees through to March 2021 in relation to Early Projects, Main Projects and Programme fees. The required templates have been completed and sent to NHSE/I for review before approval;
- £14.4m for additional fees from April 2021 to submission of the OBC.

2.5. As reported last month, the programme is currently in the process of undertaking a stress test on the cost assumptions underpinning the £450m capital cost. This incorporates applying standard business case techniques to the scope together with a critical review of the de-stressed valuation taking into account both internal and external benchmarks together with intelligence and the outputs of current workstreams e.g. Risk Workshops and Health Planning. The outcomes of this review will be finalised upon completion of the Risk Workshops and presented to the Programme SRO and UHL Interim CFO for consideration and onward reporting.

3. RECONFIGURATION CAPITAL PROGRAMME: ADDITIONAL CAPITAL

- 3.1.** As previously reported to the Trust Board, the programme has submitted a request to NHSE/I for additional capital of £97.8m together with indicative costings in relation to undefined policy requirements including pandemic-proofing.
- 3.2.** In addition, clarification is being sought in relation to using the sale proceeds from the intended disposal of part of LGH to provide additional capital headroom, specifically to fund additional single rooms in relation to pandemic-proofing.
- 3.3.** The programme is still waiting to formally hear on the additional capital funding and is continuing to work on the clinical and operational red lines in the event of a funding cap of £450m. A meeting with NHSE/I is scheduled for 18th December to discuss both issues of additional capital and utilising the sale proceeds of LGH for additional capital requirements.
- 3.4.** Clarification on the funding envelope is critical for the Reconfiguration Programme in order to progress with design, avoid abortive costs and to keep the programme on track.

4. 2020/21 CAPITAL PLAN

- 4.1.** In relation to the Reconfiguration Programme, the capital plan aligns with the Trust's capital plan with associated schemes totalling a budget of £54.3m as illustrated in the table below.

Table 2 – 2020/21 reconfiguration programme draft capital plan

Reconfiguration Programme Funding	Budget 20/21						
	Total £'000	EMCHC £'000	EMCHC Gynae £'000	EMCHC Infrastructur £'000	Interim ICU £'000	Renal Ward move £'000	Main Programme £'000
CDEL	16,304	4,711	576	1,475	8,742	300	500
PDC	31,734				622		31,112
Charitable Donations	6,300	6,300					
Total	54,338	11,011	576	1,475	9,364	300	31,612

- 4.3** The above capital plan includes PDC drawdown of £31.1m in relation to the main programme and £450m associated funding. This drawdown profile has since been updated which requires £6m PDC for 2020/21 and £0.5m CDEL to fund early design for Car Parks.

5. 2020/21 M8 CAPITAL SPEND

- 5.1.** The capital spend is based on certified valuations from contractors on the big schemes together with purchase orders and accruals.
- 5.2.** As at the end of the November 2020:
- Year to date spend is £13.5m which is £16.6m underspent due to slippage in the Reconfiguration Programme where the plan assumed an August OBC start together with underspend within the EMCHC and Interim ICU schemes.
 - Forecast spend of £28.8m which is £22.9m less than Plan with £26m driven by the re-phasing of the PDC drawdown to reflect the current Reconfiguration Programme.

Table 3 – 2020/21 reconfiguration programme year to date capital expenditure

	Reconfiguration Programme Expenditure	Year to Date Month 8			Full Year 20/21		
		Budget £'000	Actuals £'000	Variance £'000	Budget £'000	FOT £'000	Variance £'000
Main programme	Main Programme	2,578	1,281	1,297	3,516	3,516	0
	Main Projects OBC Development	10,085		10,085	27,245	1,641	25,605
	Decontamination		18	(18)	106	106	0
	Enabling Services and Education & Training	55	55	(0)	574	574	0
	Site Clearance & Early Infrastructure	11	11	(0)	148	148	0
	Stroke Relocation			0	23	23	0
	LRI Car Park	11	11	(0)	250	250	0
	GH Car Park				250	250	0
	Main Programme Total	12,740	1,377	11,363	32,112	6,507	25,605
EMCHC Scheme	EMCHC	7,398	4,659	2,739	11,011	10,618	393
	Gynae	576	531	45	576	576	0
	EMCHC Infrastructure	1,401	808	593	1,475	1,475	0
	EMCHC Total	9,375	5,997	3,378	13,062	12,669	393
ICU	Interim ICU	7,741	6,081	1,660	9,364	9,364	(0)
Renal	Renal Ward Move	165		165	300	300	0
	Total Reconfiguration Programme	30,021	13,456	16,565	54,838	28,840	25,998

5.3. As described in paragraph 4.4, the drawdown of PDC in relation to the main has been updated to reflect the current Programme. The CDEL funding of £0.5m will be used to progress car parks pending the resolution of funding through additional PDC. Progressing Car Parks is on the critical path and therefore these need to progress to ensure delivery of the programme within the current timescales albeit there is risk regarding the recoverability of this early funding. In the event of no additional funding, this would need to be absorbed by the programme budget of £460m.

5.4. The forecast spend requires £6m PDC drawdown in the year of which £3.6m is approved drawdown and a request of £2.4m for additional drawdown has been submitted. This is critical to ensure continued funding of existing costs of the programme e.g. UHL staff and professional advisers plus appointment to the design team. In the absence of approved funding, the Programme may need to consider requesting the Trust to fund until the drawdown is received.

5.5. The sections below provide an update on the different projects in relation to M8 year to date and forecast spend.

6. PROGRAMME COSTS

6.1. Whilst consultation is in progress, the programme is currently in the pre OBC development phase. Funding of £3.2m has been approved of which £0.2m was drawn in 2019/20 and the remaining £3m will be drawn in 2020/21.

6.2. Programme costs include UHL staff and professional advisers that support at a programme level rather than an individual project level.

6.3. The 2020/21 funding requirement and spend is summarised in table four below.

Table 4: Pre OBC Development Costs

	2020/21 YTD: M8			Full Year		
	Budget	Actuals	Variance	Budget	FOT	Additional Funding
	£'000	£'000	£'000	£'000	£'000	£'000
UHL Staff Costs	1,210	854	356	1,429	1,646	(217)
Digital PMO				0	182	(182)
Surveys & Investigations	580	31	549	696	696	(0)
RLB:Sustainability/BREEAM	46	0	46	55	39	16
RLB:Social Values	46	0	46	55	28	28
RLB PM & Cost Adviser Support	243	260	(17)	269	459	(190)
RLB Programming				0	26	(26)
RLB: Enabling Services	57	55	2		0	0
KDHealth Planning	100	48	52	100	120	(20)
Capsticks:Legal	41	28	13	48	66	(18)
PwC	224	40	184	265	165	100
Business Case Writing	33	0	33	50	50	0
Business Case Writing CCG contribution	(17)	0	(17)	(25)	(25)	0
BDP Visualisations	15	20	(5)	15	15	0
Works					50	(50)
Balance to Business Case	0	0	0	55	0	55
Total Spend forecast	2,578	1,336	1,242	3,012	3,516	(504)

6.4. Programme spend as at November 2020 is at £1,336k which is £1,242k less than plan with underspend in most spend categories but most significantly in staff costs, surveys and investigations and PWC. The forecast for these need to be validated to ensure funds are not drawn down early and remain unspent at year end.

6.5. The forecast spend is £3,516k which is within the £450m envelope but £504k more than the current approved drawdown funding and forms part of the £2.4m additional drawdown request to NHSE/I as described in 5.4 above.

7. EARLY PROJECTS

7.1. Within the overall programme are projects which are not dependent upon the outcome of consultation but are part of the critical path and need to be started ahead of the projects within the main programme.

7.2. The business case for the Decontamination Unit has been approved by the Trust Board and submitted to NHSE/I and DHSC for review and is now pending planning permission approval. Feedback from Planning strongly indicates that the case will be submitted to the Planning Committee for consideration, now scheduled for the planning meeting on the 27th January. This equates to a further two month delay which requires to be re-worked through the business case and associated options appraisal. Pending planning permission, the business case will then be considered at the February Joint Investment Committee.

Pending approval of the Decontamination Business case and release of funds, costs that are being incurred are currently being covered by the Pre OBC funding which will be recovered upon drawdown of the funding for Decontamination.

7.3. A summary of the Early Projects is provided in the table below:

Table 5 Early projects financial summary 2020/21

Reconfiguration Programme Expenditure	Year to Date Month 8			Ful Year 20/21		
	Budget	Actuals	Variance	Budget	FOT	Funding required
	£'000	£'000	£'000	£'000	£'000	£'000
Decontamination	0	18	(18)	106	106	0
PMO	0	0		0	0	0
Back Office and Education & Training	55	55	(0)	574	574	0
Demolition & Infrastructure Early Prjec	11	11	(0)	148	148	0
Stroke Relocation		0		23	23	0
LRI Car Park	11	11	(0)	250	250	0
GH Car Park		0		250	250	0
Early Projects Total	77	96	(19)	1,351	1,351	0

7.4. The forecast spend of £1,351k reflects fees in relation to business case development of the remaining early projects of which £554k is funded through drawdown of design fees. An additional drawdown of £297k is required which forms part of the additional drawdown request to NHSE/I.

8. EMCHC PROJECTS

8.1. The EMCHC and Gynaecology projects have an overall budget of £14,274k and £981k respectively including an approved Change Control of £134k in relation to the Gynaecology project. The projects are set to deliver the new standards from the Cardiac Review published by NHS England, which includes a directive to ensure that paediatric cardiac services are co-located with other paediatric services.

8.2. Due to the impact of COVID-19 the EMCHC project is delayed from the original date of December 2020, with a revised completion date of April 2021. The fee costs associated with the delay are estimated at £217k and will be covered by the project contingency fund that does not result in an overspend on the project's budget.

8.3. EMCHC Infrastructure has an overall budget of £2,700k with £1,475k being the 2020/21 budget and forecast capital cost which is in line with business case. This project deals with capital costs relating to site wide enabling costs.

8.4. A financial summary of the three EMCHC projects is provided in the table below:

Table 6 – EMCHC projects capital spend: Budget and YTD

Project Description	M8 YTD Budget £'000	M8 Actuals £'000	Variance £'000
EMCHC Relocation		14	
EMCHC - Design & Construction		3,697	
EMCHC - Equipment		1	
EMCHC - Internal Trust Fees		75	
EMCHC - Kensington L5		13	
EMCHC - PICU		793	
EMCHC - Cardiac Ward		63	
EMCHC - On Cost Works		1	
EMCHC - Cardiac Outpatients		1	
EMCHC Total	7,398	4,659	2,739
Gybae/SCBU Enabling Works		-	
Gynae / SCBU Enabling Works		531	
Gyane Total	576	531	45
Infrastructure		16	
EMCHC Infrastructure		792	
EMCHC Infrastructure Total	1,401	808	593
Total EMCHC	9,375	5,997	3,378

- 8.5.** YTD spend as at the end of October 2020 is £6m which is £3.4m less than budget. The underspend reflects current progress on the scheme with construction due to be completed at the end of March for commissioning and move in April 2021.
- 8.6.** Due to additional delay of one week, equipment spend of £0.4m will now be purchased in 2021/22. This represents 2020/21 underspend on budget which requires funding in 2021/22 capital planning.

Table 7 – EMCHC projects capital spend: Budget and YTD

Project	PROJECT LEVEL / BUSINESS CASE				
	18/19	19/20	20/21	21/22	Total
	£'000	£'000	£'000	£'000	£'000
EMCHC	228	1,699	11,011	1,336	14,274
EMCHC Gynae		405	576		981
EMCHC Infrastructure		1,225	1,475		2,700
Total: EMCHC Projects	228	3,329	13,062	1,336	17,955
EMCHC	228	1,699	10,618	1,729	14,274
EMCHC Gynae		405	576		981
EMCHC Infrastructure		1,225	1,475		2,700
Total: EMCHC Projects	228	3,329	12,669	1,729	17,955
EMCHC	0	0	393	(393)	(0)
EMCHC Gynae		0	0		0
EMCHC Infrastructure		0	0		0
Total: EMCHC Projects	0	0	393	(393)	(0)

- 8.7.** The cost of the EMCHC project of £14.3m is funded by CDEL of £8m and Charitable Funds of £6.3m which is underwritten by the Trust. EMCHC Infrastructure is funded entirely by CDEL.
- 8.8.** As described in paragraph 8.7 Charitable Funds are being used to fund £6.3m of the EMCHC project which is underwritten by the Trust. To take into account fund raising costs and enhancements, the Charitable Funds has a total fund raising target of £7.5m. Table five below provides a summary of fundraising as at Month 8 2020 which was presented at the Children's Board.

Table 8 – Charitable Fundraising Update

Fundraising Update	Month 8 £'000
Income Raised	5,499
Funds on Hand	1,123
Pledges	329
Subtotal	6,950
Fundraising Costs	(1,015)
Total	5,936
EMCHC Target	7,500
Funds Left to Raise	1,564

As at Month 8, on the assumption that the £5.9m is received, the Trust would be required to underwrite £1.6m from CDEL. This presents a risk to the Trust.

9. INTERIM ICU

- 9.1.** The Interim ICU project will deliver preparation of facilities and buildings to accommodate the move of level 3 ICU and associated clinical services service from Leicester General Hospital to Leicester Royal Infirmary and Glenfield Hospital.

- 9.2.** The construction of the building work is due to complete with the fit out of equipment in Q4 2020/21 and Q1 2021/22 with service moves and commissioning in July 2021. This represents a delay of three months which is due inability for clinical engagement due to COVID-19.
- 9.3.** As a result of COVID-19, the project has been subject to an acceleration instruction and extended working hours in order to maintain their programme. In addition, additional infrastructure has been added in the form of an Ultra-Clean Water system in ICU and Medical Air installation for Glenfield Wards.
- 9.4.** The total COVID related costs is £1.1m (inc VAT) of which £0.8m is proposed to be funded through NHSE/I and £0.3m through CDEL in relation to the Water system. This is currently under review by NHSE/I and any approvals or refusals will need to be worked through as part of the project.
- 9.5.** Funding for the Interim ICU project is from PDC of £30.8m plus £0.3m transferred from Estates backlog and £0.3m in relation to the Water System taking the total budget to £31.4m. Table six below summaries the funding and spend profiles.

Table 9 – Interim ICU project Spend

		Interim ICU BUSINESS CASE					
		17/18 £'000	18/19 £'000	19/20 ** £'000	20/21 £'000	21/22 £'000	Total £'000
Full Year	Actuals / Budget	1,282	1,482	18,710	9,364	604	31,442
	Forecast	1,282	1,482	18,710	9,364	604	31,442
	Variance	0	0	0	(0)	0	(0)

** subject to final accounts

The capital spend as at 31 March 2020 has undergone a detailed reconciliation which shows the spend on the ledger to be in line with external cost advisers. This reconciliation has identified a difference in VAT recovery versus business case assumptions.

- 9.6.** EY have been instructed to undertake a VAT review to ensure the scheme is optimising VAT treatment. As stated in paragraph 9.5 at present the forecast spend includes VAT recovery in line with business case assumptions which presents a risk pending the outcome of the EY review. Once this has been undertaken, the impact will be worked through the project.
- 9.7.** At the end of November 2020 the spend on the Interim ICU project is £6.1m vs a YTD budget of £7.7m representing a YTD underspend of £1.7m.
- 9.8.** Final accounts are in the process of being agreed with the main contractor which would leave equipment and fees as remaining spend to be incurred
- 9.9.** At the time of writing, the 2020/21 capital spend is being reviewed to ensure any potential underspend and/or slippage within this financial year is captured. This will be reported through to the Project Committee and CMIC to ensure aligned with Trust priorities and funded correctly in 2021/22. Total spend remains in line with business case assumptions.
- 9.10.** As part of the FBC, additional revenue costs of £3.5m were approved offset by £3.5m efficiencies in order to obtain NHSE/I approval of the business case. Following drafting of SOP's and a Star Chamber process additional revenue cost of £0.2m have been approved with some actions outstanding which may have a cost impact once resolved. In addition, the efficiencies are in the

process of being validated together with a review of any potential additional efficiencies available. Once the costs and efficiencies have been worked through and validated, this will be reported back through the ICU Project Board and Trust committees as required.

9 CONCLUSION

The Trust Board is asked to **NOTE** the M8 spend for the 2020/21 Financial Year and reconfiguration capital plan.