



Protecting and improving the nation's health

# PHE Board Paper

**Title of meeting** PHE Board  
**Date** Wednesday 25 May 2016  
**Sponsor** Michael Brodie  
**Title of paper** 2015/16 Capital Expenditure Summary

## 1. PURPOSE OF THE PAPER

- 1.1 This paper presents a summary of Public Health England's (PHE's) 2015/16 capital expenditure.

## 2. RECOMMENDATIONS

- 2.1 The Board is asked to:
  - (a) **NOTE** the 2015/16 summary for capital expenditure as set out in the report.

## 3. PHE CAPITAL PROGRAMME SUMMARY

- 3.1 PHE's capital programme consists of individual projects covering all aspects of its operations. In practice, most projects relate to facilities within the National Infections Services Directorate and to accommodation schemes, overseen by the Estates & Facilities team.
- 3.2 PHE's capital funding allocation includes amounts for "vaccines assets". These assets are emergency stocks which would be used if required. They are recorded in the accounts as assets even though they are "stocks" by nature. The cash amount is not fixed; it will be whatever the actual costs are in the year.
- 3.3 PHE's capital funding allocation from DH also includes amounts for grants to be distributed by PHE for Local Authority projects and fluoridation schemes. These amounts will be spent on capital assets by the grant recipients but would not be owned by PHE.
- 3.4 The capital programme is set at a level above the available funding. Historically we know that major capital projects do not always progress at the speed envisaged and building this "over-programming" allowance into the budget enables the Capital Group to include more high priority projects than would otherwise be

possible. In the event that there is a risk of overspending the Capital Group can ensure spending on lower priority projects is reduced or delayed.

- 3.5 The allocation for the general programme includes funding for Porton Biopharma Limited (PBL). The full year budget for PBL was £7.5m (£8.0m less £0.5m over-programming). The budget allocated to PBL has a direct impact on the available budget to PHE. This is overseen by the PHE Capital Group.
- 3.6 The total capital budget and expenditure for the 2015/16 year is shown in the table below:

<b>Capital Funding &amp; Programme - 2015/16 (£'000s)</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>Actual</b>	<b>Variance</b>
<i>Accommodation</i>	16,722	14,791	15,501	(710)
<i>Equipment</i>	17,886	14,253	11,855	2,398
<i>IT - Digital</i>	1,305	3,083	2,268	815
<i>IT - Other</i>	6,218	8,155	7,515	641
<i>Porton Biopharma</i>	13,036	7,915	8,081	(166)
<i>Total programmed projects</i>	55,167	48,197	45,219	2,978
<i>Over programming – PHE General</i>	(7,765)	(2,319)	-	(2,319)
<i>Over programming - PBL</i>	(2,402)	(456)	-	(456)
Total General capital projects	45,000	45,423	45,219	203
3 <sup>rd</sup> party grants: Local Authority projects	10,000	-	-	-
3 <sup>rd</sup> party grants: fluoridation schemes	5,000	1,163	1,163	-
General allocation from DH	60,000	46,586	46,383	203
Science Hub	26,200	3,415	3,415	-
Emergency vaccine stocks	63,000	48,540	48,540	-
<b>Total DH GIA capital funding</b>	<b>149,200</b>	<b>98,540</b>	<b>98,337</b>	<b>203</b>

- 3.7 The Science Hub programme was originally budgeted at £26m for the year, based on the assumption that the project would have been approved by the start of the year. The costs for the year were lower, partly due to the decision being confirmed mid-way through the year, and also due to a change in the accounting treatment of the site holding costs which are now accounted for as revenue expenditure. The Science Hub programme (£3.4m) was funded from the general capital programme for 2015/16
- 3.8 The 2015/16 vaccines' budget allocation from DH was £48.5m. This budget was flexed to be in-line with the actual out-turn.
- 3.9 The National Panels finalised the successful bids for the £10m Capital Drugs and Alcohol Recovery Grant scheme. As with prior years there were bids far in excess of availability with the total number being successful standing at 50 with a range from £5k to £750k in value. The awards have been communicated and payment

will be made during the 2016/17 financial year, rather than the originally timetabled March 2016 payment date.

- 3.10 The 2015/16 Fluoridation out-turn was £1.2m against an original budget of £5m. The reduction of £3.8m from the original budget was due to the proposed schemes not progressing at the rate envisaged. This reduction effectively increased the funding available for PHE's general programme.

#### **4. DELIVERY STATUS OF MAJOR CAPITAL PROJECTS**

- 4.1 Within PHE's DH Funding, we receive approximately £45m of grant in aid for capital projects that will help PHE achieve its goals, be it through projects relating to PHE's core (frontline) remit, investing in new software or equipment to deliver efficiency or direct financial savings or upgrading facilities to meet regulations and to ensure PHE has cutting edge facilities. The projects below were the major ones undertaken this year (for the purposes of this report "major" is described as being greater than £1m in total project value and/or greater than £500k of budgeted expenditure in the year).

##### **4.2 Southampton Laboratory Accommodation** (NIS - Specialist Microbiology; Regional)

- (a) This project is to refurbish and upgrade laboratory and office space to current standards and build a new CL3 facility.
- (b) Minor works following the installation of the HVAC system will be complete by June 2016 at which time the project will complete with a forecast total cost of £1.4m

##### **4.3 Bristol Laboratory Automation** (NIS - Specialist Microbiology; Regional)

- (a) This project is to procure and install Bacteriology robotics and incubator equipment into the Bristol laboratory. The purpose is to streamline the work and increase the capacity of sample processing.
- (b) Enabling works completed in February 2016, the equipment build is complete and installation started in April 2016 and will be completed in June 2016 with a forecast total cost of £3.4m.

##### **4.4 Ipswich Laboratory Automation** (Specialist Microbiology; Regional)

- (a) This project is to procure and install Bacteriology robotics and incubator equipment into the East of England hub at Ipswich as part of the Pathology Transformation project. The purpose is to stream-line the work and increase the capacity of sample processing to allow work and staff to move to Ipswich from Colchester and West Suffolk, increasing efficiencies and providing cost savings.
- (b) Phases 1 and 2 are complete; the automation equipment was delivered in August 2015. Testing is complete and staff are now trained on the use of the

new equipment. It is anticipated the project will complete in June 2016 with a forecast cost of £2.3m.

4.5 The following three projects relate to Porton facilities. Despite the planned relocation to Harlow, the site will be needed for several years yet and these works were all deemed necessary and were financially justifiable in terms of cost compared with alternatives options.

4.6 **Refurbishment of Main Building Roof at Porton** (Operations, Porton).

- (a) This project is to repair and replace dilapidated areas of building 1's main roof. Building 1 accommodates circa 350 staff, all the CL4, CL3 and CL2 labs together with the majority of the BIG facility. The project allows for the replacement of the critical areas of roof where leakage has been apparent or the waterproofing is showing signs of major detrition.
- (b) The works commenced in March 2015 and completed in February 2016 with a total cost of £1.3m.

4.7 **Steam Boiler Replacement** (Operations, Porton).

- (a) This project is to replace the two steam boilers at PHE Porton which are over 60 years old. The existing boilers have failed their statutory inspections on six separate occasions requiring urgent repairs to be carried out. There is now a significantly high risk that any further repair works would not guarantee the integrity of the boilers. One boiler has failed and the site is currently operating at risk with a single boiler. This project will result in three replacement boilers and will ensure the steam, heating and hot water requirements for the site are met.
- (b) The works began in November 2015 and are anticipated to complete in June 2016 at a forecast total cost of £1.2m.

4.8 **Local Area Network Refurbishment at Porton** (Finance & Commercial; IS; Porton)

- (a) This project covers the replacement of the Porton site local area network, which is no longer supportable or compliant. The original project was expected to be complete in the 2014/15 year but several delays were suffered as problems surfaced. The scope of the current works has been revised.
- (b) The project is now due to complete in May 2016 at a cost of £1m

4.9 The following accommodation schemes were undertaken for a variety of reasons. In all cases they achieved recurrent revenue savings, better space utilisation, improved sustainability, improved working conditions and created efficiencies through co-location with system partners.

4.10 **PHE East of England - Anglia & Essex** (Estates & Facilities Accommodation Rationalisation Programme)

- (a) As a consequence of the need to co-locate a number of PHE teams currently based in various Cambridge office locations (Magog Court, Forvie, Compass House and Eastbrook), the PHE and DH PAM Boards approved an FBC in September supporting the occupancy of West Wing, Victoria House, Fulbourn (NHS property).
- (b) The project was complete in April 2016 at a total cost of £1.8m, by delivering this project PHE will save £220k per annum on lease costs.

#### **4.11 PHE East Midlands - East Midlands Centre (Estates & Facilities Accommodation Rationalisation Programme)**

- (a) This project relates to the establishment of PHE branded office accommodation for approximately 113 FTE, all of whom are to be co-located into Seaton House in Nottingham.
- (b) The project will complete in June 2016 with a total cost of £1.7m, by delivering this project PHE will save £140k per annum on lease costs.

#### **4.12 PHE London - 3<sup>rd</sup> Floor Skipton House - (Estates & Facilities Accommodation Rationalisation Programme)**

- (a) This project relates to the refurbishment to part of the 3<sup>rd</sup> floor Skipton House due to the relocation of the London Quality Assurance Reference Centre and London Quality Assurance Team from 151 Buckingham Palace Road, to co-locate with colleagues from SW and SE London Health Protection Teams and Organisation Development.
- (b) The project completed in April 2016 with a cost of £0.6m. These works contributed to the vacation of 151 Buckingham Palace Road which led to savings of £2m per annum.

## **5. BENEFITS REALISATION**

5.1 As a new feature in this year's reporting the Capital Group reviews monthly the benefits of completed major capital projects, using the same criteria as the projects in section 4. A comparison is made between benefits stated in the approved business case against those achieved post project delivery. Each project is given a RAG status decided on by the Capital Group over three different criteria being:

- Delivery - how well did the project deliver against the timelines stated in the business case
- Financial - whether the project was completed within budget
- Benefits Realised - to what extent were the expected benefits met after project completion.

5.2 The projects reviewed in the last financial year are shown below.

5.3 **Refurbishment of Main Building Roof at Porton** (Operations, Porton).

- (a) This project was to remove the existing roof covering and where possible replace the waterproofing of Building 1 which accommodates circa 350 people, all the CL4, CL3 and CL2 labs together with the majority of the BIG facility and contains the sites principal meeting rooms, lecture theatre and offices. Also included within project scope was the removal and replacement of the existing roof access openings and the ladders at roof level.
- (b) The project was delivered at a cost of £1.3m and completed in February 2016
  - (i) Delivery (Timeliness of delivery) – AMBER
  - (ii) Financial (Cost v Budget) – GREEN
  - (iii) Benefits Realised - GREEN

#### 5.4 High Resolution Mass Spectrometer – (Health Protection, CRCE)

- (a) This project's aim was to support PHE in the delivery of the high level public health outcomes set out by DH, particularly 'reduced differences in life expectancy and healthy life expectancy between communities'. The project delivery would enable CRCE to measure chemicals of concern to the UK population in terms of any uncontrolled release, for human biomonitoring studies and to support in vitro and in vivo work conducted at CRCE.
- (b) The project was successfully completed in March 2104 at a cost of £725k.
- (c) The Capital Group rated the project's performance against the following measures as follows:
  - (i) Delivery (Timeliness of delivery) – GREEN
  - (ii) Financial (Cost v Budget) – GREEN
  - (iii) Benefits Realised - AMBER

#### 5.5 Second Generation Surveillance System – (National Infections Service)

- (a) The Second Generation Surveillance System (SGSS) was a project to replace the CoSurv, AmSurv and LabBase systems for collecting and disseminating cases of infectious disease, as diagnosed by laboratories in England, Wales & Northern Ireland and to reduce the risks to surveillance that maintaining the existing systems posed.
- (b) Since the introduction of SGSS in March 2014, the reporting of surveillance data has improved significantly and now over 50% of regional laboratories report daily, compared to weekly before the project. The aim is for this to increase to 70% by Q3 2016. The increased frequency of reporting and the improvement in the data quality has resulted in more timely detection of outbreaks.
- (c) The project was successfully completed in March 2014, at a capital cost of £1.7m.
  - (i) Delivery (Timeliness of delivery) – AMBER
  - (ii) Financial (Cost v Budget) – RED
  - (iii) Benefits Realised – GREEN

#### 5.6 Lab Upgrades – (Operations - Colindale)

- (a) This project was to upgrade and refurbish the existing outdated laboratories. The strategic case for them was to rationalise locations, utilise space better, remove internal laboratory offices and provide larger multi-functional laboratories. This programme included projects which were in Levels 4, 3 and 2. A 6 Facet Survey highlighted the poor condition of many of the laboratories. The works included complete strip out, removal of internal walls, new flooring, new benching, new power, data, lighting and a better layout for multi-functional use.
- (b) The project was delivered at a cost of £1.2m in April 2014.
  - (i) Delivery (Timeliness of delivery) – GREEN
  - (ii) Financial (Cost v Budget) – GREEN
  - (iii) Benefits Realised - GREEN

**5.7 Enterprise Licence Agreement for ESRI and GeoWise GIS Software – (Finance and Commercial - IT)**

- (a) This project was to replace PHE's previous ESRI enterprise licence which provided unlimited software licences and which was due to finish in May 2015. These licenses enable PHE to meet its health protection and health improvement objectives through the use of Geographic Information Systems (GIS). The enterprise license allows PHE to continue to offer a number of high profile systems, such as SGSS, HPZone/CIMS, CIRIS and Environmental Public Health Surveillance System.
- (b) The project demonstrated a reduction in a like for like replacement of the enterprise agreement from a previous £594k to £522k. The project was delivered on time and in line with the agreed budget.
  - (i) Delivery (Timeliness of delivery) – GREEN
  - (ii) Financial (Cost v Budget) – GREEN
  - (iii) Benefits Realised - GREEN

**6. CONCLUSION AND NEXT STEPS**

- 6.1 The Capital Group worked to ensure the funding allocation could be spent within the year, thus maximising the benefits of the capital programme. Some projects were brought forward from the 2016/17 year to replace projects that couldn't progress as originally envisaged. This ensured the budget was fully utilised and budget pressures for future years were lowered.
- 6.2 PHE's Management Committee has approved the capital programme for 2016/17.

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