

## PWYLLGOR CYLLID FINANCE COMMITTEE

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	22 December 2020
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Update on All-Wales Capital Programme – 2020/21 Capital Resource Limit and Capital Financial Management
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	Eldeg Rosser, Senior Finance Business Partner

**Pwrpas yr Adroddiad (dewiswch fel yn addas)**

**Purpose of the Report (select as appropriate)**

Ar Gyfer Trafodaeth/For Discussion

### ADRODDIAD SCAA SBAR REPORT

#### Sefyllfa / Situation

This update report is presented to Finance Committee to:

- Note the Capital Resource Limit (CRL) for 2020/21;
- Note the further allocations available;
- Note the value of capital expenditure currently committed to deal with the COVID-19 pandemic (COVID-19) for 2020/21 and funding released to date;
- Note the reduction in the value of the funding risk of being unable to progress COVID-19 schemes and the amendment to Risk 956 (*Risk to Delivery of the CRL for 2020/21*);
- Note the update regarding the Women and Children Phase II Scheme (Glangwili General Hospital - GGH).

#### Cefndir / Background

Further to previous reports to Finance Committee, this report provides an update on the CRL position for 2020/21.

#### Asesiad / Assessment

##### **Capital Resource Limit 2020/21**

The current CRL for 2020/21 has been issued with the following allocations:

Allocation	£m
All Wales Capital Programme (AWCP)	9.390
Discretionary Capital Programme (DCP)	6.888
Slippage due to COVID-19 from 2019/20	1.090
COVID-19 – Digital Devices & IT	0.935
COVID-19 – Equipment (Acute Sites and Field Hospitals)	9.822
<b>Total CRL</b>	<b>28.125</b>

Further Allocation available	£m
Disposals of Cardigan Hospital and Health Centre	0.750
Pending CRL Allocation - WGH Fire Project PBC	0.350
<b>Sub - total</b>	<b>1.100</b>
<b>Total Capital Allocation</b>	<b>29.225</b>

Since the last report (30<sup>th</sup> November 2020) the CRL has increased by £2.947m:

- COVID-19 Tranche 4 £2.100m,
- Emergency Department (ED) Streaming £0.720m,
- DCP increase £0.127m for works to the water treatment plant in the Renal Unit in GGH

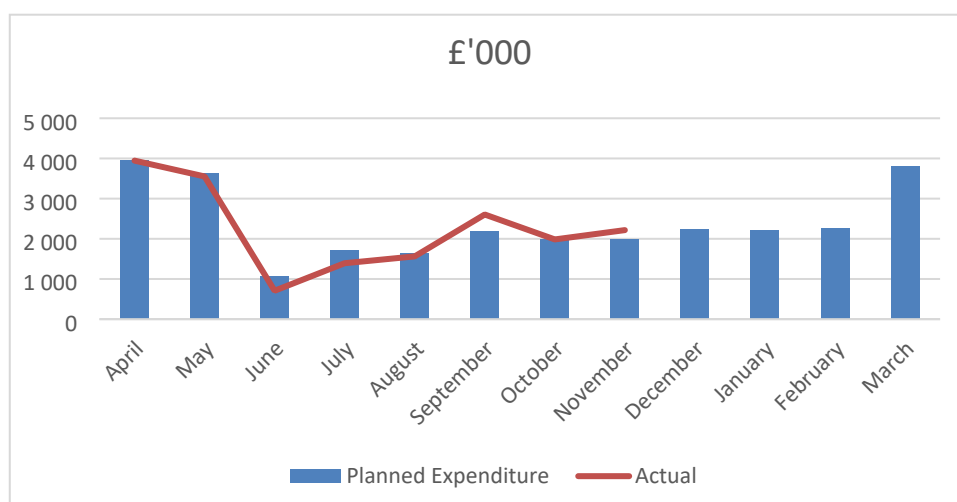
Other allocations that the Health Board (HB) is likely to receive over the next few weeks are for:

- Digital Eye Care - £0.287m
- Energy & Decarbonisation - £0.255m

The Capital Expenditure Plan for 2020/21 is detailed below:

Scheme	Expenditure Plan (from 2019/20) £m	Expenditure Plan (2020/21) £m	Total Expenditure Plan £m
<b>AWCP</b>			
Women and Children Phase II		6.686	6.686
MRI WGH		1.500	1.500
Radiology Schemes		0.407	0.407
Advance Fire Works WGH		0.350	0.350
SPH – Sunderland Ward ICF		0.202	0.202
ED Streaming WGH/PPH/BGH/GGH		0.720	0.720
WGH Fire PBC		0.350	0.350
Other	0.315	0.311	0.626
COVID-19		9.822	9.822
COVID-19 – (Digital)		0.935	0.935
<b>Sub-total AWCP</b>	<b>0.315</b>	<b>21.283</b>	<b>21.598</b>
<b>Discretionary</b>			
Discretionary			
Equipment	0.172	1.012	1.184
Estates Infrastructure	0.137	1.534	1.671
Estates Development	0.103	0.650	0.753
Estates Statutory		1.228	1.228
Digital	0.445	0.986	1.431
Contingency	0.045	0.315	0.360
Credits for Cleaning/ Healthcare Inspectorate Wales/ COVID-19		0.320	0.320
Business Case Development		0.575	0.575
Capital Support		0.105	0.105
<b>Sub-total Discretionary</b>	<b>0.902</b>	<b>6.725</b>	<b>7.627</b>
<b>TOTAL</b>	<b>1.217</b>	<b>28.008</b>	<b>29.225</b>

An expenditure profile for 2020/21 is shown below:



Total capital expenditure as at Month 8 was £17.967m, of which £11.477m is related to COVID-19.

### Financial Risks

The value of capital orders placed by the HB to date for COVID-19 associated items which is expected to impact on the 2020/21 position is:

Expenditure	Costs Committed 2020/21 £m	Funding Released to Date £m	Current Funding Gap £m
Acute Sites	5.921	5.703	0.218
Field Hospitals	3.757	3.719	0.038
Informatics	1.469	0.981	0.488
Women and Children Phase II (GGH)	0.024	0.024	0.000
Equipment purchased through Shared Services	0.235	0.139	0.096
<b>Total</b>	<b>11.406</b>	<b>10.566</b>	<b>0.840</b>

The design, build and restoration costs for the Field Hospitals are not classed as capital expenditure and are additional to the spend shown above. Welsh Government (WG) is currently releasing the capital funding, based on information provided by the HB relating to actual cost incurred, not committed expenditure. WG has requested assurance by 11<sup>th</sup> December that all the costs committed remain correct and deliverable within the financial year.

There are additional costs for the Women and Children Phase II scheme due to the delay in handover of part of the scheme because of COVID-19 capacity planning, and additional work required to allow the scheme to progress. There will also be an additional cost implication for the scheme because of the implementation of social distancing legislation; the total estimated additional costs are £3.318m, of which £0.024m will apply in 2020/21 and £3.294m in 2021/22. The HB assumption is that WG funding will be available for this additional cost.

Previous reports to the Committee have flagged the risk of capital cost being incurred to deal with the HB's response to COVID-19, and social distancing requirements. There is no further funding available from WG for specific investment in COVID-19.

The approvals mentioned earlier in the paper, along with work done with the Operational and Capital Planning Team to prioritise COVID-19 and non-COVID-19 projects has resulted in a paper being approved by Gold Command to allocate the balance of the HB's DCP to deal with deliverable schemes by the 31<sup>st</sup> March 2021. The paper also sought clarity to ensure that all capital priorities - both COVID-19 and non-COVID-19-related - now be considered via the normal capital prioritisation route. The balance of the capital risk in 2020/21 is therefore significantly reduced from the £14.333m reported in the HB's Month 7 Monitoring Returns to £0.840m reported in the Month 8 Monitoring Return. This risk is now based only upon the funding gap against committed COVID-19 schemes and funding released to date for COVID-19. HB risk 956 has been amended in December to reflect this position (see Appendix 1).

	2020/21
<b>Costs</b>	£m
COVID-19 costs committed as per WG return	11.406
<b>Funding</b>	
WG COVID-19 funding released to M8	(10.566)
<b>Risk/ Funding Gap</b>	<b>0.840</b>

Other risks currently being reviewed and managed include:

- An early warning that there may be slippage on the MRI scheme in 2020/21; any slippage will have to be managed within the HB.
- The receipt of an unexpected allocation letter for £0.350m for the WGH fire compliance Programme Business Case (PBC). It is unclear now whether this allocation is enough to deliver the PBC and an equivalent top-up provision is currently earmarked in the DCP to cover potential additional cost.

The HB is currently revisiting the expenditure priorities and available allocations on a weekly basis to ensure that the HB's highest priorities are being addressed within the available capital resource, and to ensure that the CRL is not breached.

### **Women & Children Phase II (GGH)**

Ongoing profiling of resource usage is being undertaken with the cost advisors for the scheme, and regular progress updates are provided to WG and NHS Wales Shared Services Partnership. The HB has fixed its capital requirement for 2020/21 on the AWCP schemes at the end of October 2020.

### **Argymhelliad / Recommendation**

The Finance Committee is requested to:

- Note the Capital Resource Limit (CRL) for 2020/21;
- Note the further allocations available;
- Note the value of capital expenditure currently committed to deal with the COVID-19 pandemic (COVID-19) for 2020/21 and funding released to date;
- Note the reduction in the value of the funding risk of being unable to progress COVID-19 schemes and the amendment to Risk 956;

- Note the other risks being managed;
- Note the update regarding the Women and Children Phase II Scheme (Glangwili General Hospital - GGH).

<b>Amcanion: (rhaid cwblhau)</b> <b>Objectives: (must be completed)</b>	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.3 Conduct detailed scrutiny of all aspects of financial performance, the financial implications of major business cases, projects, and proposed investment decisions on behalf of the Board.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Risk 956 - Risk to delivery of the CRL for 2020/21 Risk 624 – Risk to the ability to maintain and address backlog maintenance and develop infrastructure to support long term strategic objectives
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	All Health & Care Standards Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners. 5. Deliver, as a minimum requirement, outcome and delivery framework work targets and specifically eliminate the need for unnecessary travel & waiting times, as well as return the organisation to a sound financial footing over the lifetime of this plan
Amcanion Llesiant BIP: UHB Well-being Objectives: <a href="#">Hyperlink to HDdUHB Well-being Statement</a>	Improve efficiency and quality of services through collaboration with people, communities and partners  All business cases for capital investment require alignment to the UHB's Well-being Objectives where applicable

<b>Gwybodaeth Ychwanegol:</b> <b>Further Information:</b>	
Ar sail tystiolaeth: Evidence Base:	Capital Allocation and prioritisation process. Capital Investment procedure and all relevant Welsh Government guidance.
Rhestr Termiau: Glossary of Terms:	Included in the main body of the report.

Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cyllid: Parties / Committees consulted prior to Finance Committee:	Capital Monitoring Forum Capital Planning Group Individual Project Boards of Capital Schemes Welsh Government Capital Review Meeting Capital, Estates and IM&T Sub-Committee
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<b>Effaith: (rhaid cwblhau)</b> <b>Impact: (must be completed)</b>	
<b>Ariannol / Gwerth am Arian:</b> <b>Financial / Service:</b>	Capital values noted within the report. Included within individual business cases and Capital prioritisation process.
<b>Ansawdd / Gofal Claf:</b> <b>Quality / Patient Care:</b>	Included within individual business cases and Capital prioritisation process
<b>Gweithlu:</b> <b>Workforce:</b>	Included within individual business cases and Capital prioritisation process
<b>Risg:</b> <b>Risk:</b>	Risk assessment process is integral to the capital prioritisation process and the management of capital planning within HDdUHB
<b>Cyfreithiol:</b> <b>Legal:</b>	Included within individual business cases and Capital prioritisation process
<b>Enw Da:</b> <b>Reputational:</b>	Included within individual business cases and Capital prioritisation process
<b>Gyfrinachedd:</b> <b>Privacy:</b>	Included within individual business cases and Capital prioritisation process
<b>Cydraddoldeb:</b> <b>Equality:</b>	Equality assessments are included within individual business cases and Capital prioritisation process when required

<b>Strategic Objective:</b>		N/A - Operational Risk		<b>Executive Director Owner:</b>	Thomas, Huw	<b>Date of Review:</b>	des-20
				<b>Lead Committee:</b>	Finance Committee	<b>Date of Next Review:</b>	des-20
<b>Risk ID:</b>	956	<b>Principal Risk Description:</b>	There is a risk that based on the current capital funding issued to date from Welsh Government for COVID-19 that the Health Board may spend in excess of the capital resource it has available and will be unable to deliver all capital schemes required to mitigate the impact of COVID 19. This is caused by funding to date a)having been based on items delivered to sites and not on expenditure committed b)not covering the potential cost of our response to the social distancing legislation c) not covering the potential cost of the mitigating action required to ensure appropriate segregation of COVID and non-COVID patients in our services d)not covering additional costs of other estates adaptations or additional equipment that may be required as part of the Health Board's response to COVID-19. This could lead to an impact/effect on the Health Board breaching its statutory financial duty to breakeven against its Capital Resource Limit for 2020/21 by £0.841m on expenditure already committed. The risk around COVID-19 schemes not yet committed deliverable in 2020/21 is now addressed. Further schemes which have a direct effect on the Health Board's ability to effectively deal with COVID-19 and respond to the pandemic will be prioritised along with all other schemes going forward.	<b>Risk Rating:(Likelihood x Impact)</b>			
		<b>Domain:</b> Statutory duty/inspections					
		<b>Inherent Risk Score (L x I):</b> 4x5=20					
		<b>Current Risk Score (L x I):</b> 2x4=8					
		<b>Target Risk Score (L x I):</b> 2x4=8					
		<b>Tolerable Risk:</b> 8					
<b>Does this risk link to any Directorate (operational) risks?</b>				<b>Trend:</b>			

<b>Rationale for CURRENT Risk Score:</b>	<b>Rationale for TARGET Risk Score:</b>
The scale of the pandemic and the likely impact on the Health Board is evolving. The financial impact on capital in the first quarter of 2020/21 was significant and the current feasibility work on schemes to deal with COVID -19 issues on an ongoing basis would suggest that the Health Board's capital funding streams is insufficient. Detailed work undertaken with Operational Teams has enabled the prioritised set of COVID-19 schemes deliverable by 31st March 2021 to be agreed and progressed.	The Health Board needs to demonstrate that it is able to manage its capital position effectively, cognisant of the risks which are inherent in the delivery of safe and timely care. Given the challenge in delivering the capital position this year, the Health Board will achieve a risk which is in line with the tolerable risk for the year. Effective prioritisation will aim to reduce the impact of this risk on statutory and clinical schemes.

<b>Key CONTROLS Currently in Place:</b> (The existing controls and processes in place to manage the risk)	<b>Gaps in CONTROLS</b>				
	<b>Identified Gaps in Controls :</b> (Where one or more of the key controls on which the organisation is relying is	<b>How and when the Gap in control be addressed</b>	<b>By Who</b>	<b>By When</b>	<b>Progress</b>
	Further action necessary to address the controls gaps				

<p>1. Modelling the anticipated impact of feasibility schemes being developed and the impact on equipment and operational requirements through Bronze Acute and Estates Groups to ensure full knowledge of prioritised schemes.</p> <p>2. Prioritisation and expenditure commitment are managed and approved through GoldCommand.</p> <p>3. Timely financial reporting to Finance Committee, Board and Welsh Government on local costs incurred as a result of COVID-19 to inform central and local scrutiny, feedback and decision-making.</p> <p>4. Monthly reporting to the Finance Committee regarding the Capital Risk.</p>	<p>The costs of addressing the Health Board's local needs may exceed available funding.</p> <p>Co-ordination of approval process to progress projects.</p>	<p>Working with Welsh Government to review and identify and mitigate the Financial Risk</p> <p>Gold Command to approve prioritised list. Gold Command to approve any further changes to the prioritised list. No commitment to schemes without an agreed funding source.</p>	<p>Thomas, Huw</p> <p>Thomas, Huw</p>	<p>30/09/2020 30/11/2020</p> <p>30/09/2020 30/11/2020</p>	<p>Clarification was received in Nov20 around the additional capital available to HBs and the ability to retain the proceeds on the sale of properties.</p> <p>Report was presented to Gold Command in Nov20 and an agreement on the COVID-19 priority schemes to be progressed in 2020/21 was made. Scheme to be funded from the Discretionary Capital Programme. Also agreed that the prioritisation of COVID-19 and non-COVID-19 schemes going forward be made through the normal capital planning processes.</p>
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ASSURANCE MAP				Control RAG Rating (what the assurance is telling you about your controls)	Latest Papers (Committee & date)	Gaps in ASSURANCES				
Performance Indicators	Sources of ASSURANCE	Type of Assurance (1st, 2nd, 3rd)	Required Assurance Current Level			Identified Gaps in Assurance:	How are the Gaps in ASSURANCE will be addressed Further action necessary to address the gaps	By Who	By When	Progress
Performance against the Capital Resource Limit	Performance against plan monitored through Capital Monitoring Group with key internal stakeholders	1st	Blue	Yellow	Monthly Reports to Finance Committee on capital reporting the COVID risk	None				
	Operational prioritisation through Bronze Group using the operational risk and benefit matrix	1st	Blue							
	Performance Reports through to Capital, Estates and IM&T Sub-Committee	2nd	Pink							
	Finance Committee oversight of current performance	2nd	Pink							
	Capital Report to People, Planning and Performance Assurance Committee	2nd	Pink							



WG scrutiny through  
monthly monitoring and  
COVID capital returns

3rd

